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2 December 1985

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INTER-AMERICAN AFFAIRS

CANADA ANNOUNCES CBI-LIKE PLAN FOR CARIBBEAN

Kingston THE DAILY GLEANER in English 19 Oct 85 p 1

[Article: "Mulroney Approves 'Caribbean', Canadian Aid To Double"]

[Text] Nassau, Bahamas, Oct 18 (CANA):

CANADIAN PRIME MINISTER Brian Mulro-
ney today announced a Canadian one-way trade
initiative for the Caribbean, similar to the Reagan
administration's Caribbean Basin Initiative (CBI).

Mulroney said at a Canadian lunch of leaders on the sidelines of the Commonwealth Summit in the Bahamas that the initiative, known as Caribbean, would become operational during the first half of next year.

"We anticipate that the arrangement will cover 99 per cent of the goods which the Caribbean currently exports to Canada," he said.

Mulroney also reiterated Canada's commitment to double its aid flow to the Caribbean from 40 million dollars (28.5 million U.S. dollars) per year in 1982 to C\$80 million (US\$57 million) in 1987.

The Caribbean trade initiative was first proposed to Mulroney by Jamaican Prime Minister Edward Seaga at his summit meeting with Commonwealth Caribbean leaders in Kingston last February.

It was set up to complement the CBI, a trade and aid initiative for Central America and the Caribbean created in January 1984 to promote economic development and political stability in the region.

Mulroney noted that Canada would shortly amend its legislation to allow Caribbean countries to export bulk rum to Canada for bottling without blending.

He also announced that Canada would make available an extra 50 university scholarships to the Caribbean.

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INTER-AMERICAN AFFAIRS

GENESIS, AIMS OF CARIBBEAN DEMOCRATIC UNION TRACED

Kingston THE SUNDAY GLEANER in English 13 Oct 85 p.10

[Article by Balford Henry: "The New Caribbean Political Union"]

[Text]

SOMETIME NEXT MONTH leaders of at least nine ruling political parties in the English-speaking Caribbean are to meet in Kingston to formally launch an umbrella organization covering non-socialist parties in the region.

The decision to form the Caribbean Democratic Union (CDU) was reached in September in Dominica and so far involves: the Jamaica Labour Party, the Anguilla National Alliance, the Antigua Labour Party, the Dominica Freedom Party, the New National Party of Grenada, the People's Liberation Movement of Montserrat, the People's Action Movement of St. Kitts, United Workers' Party of St. Lucia and the New Democratic Party of St. Vincent.

Each of the parties is currently in government and each is expected to be represented by a Prime Minister, or senior Government Minister at next month's meeting.

The Eastern Caribbean countries have also formed an Institute for Democracy, which will operate simi-

larly to the JLP's Jamaica Institute of Political Education here, and with the assistance of the Konrad Adenauer Foundation.

The CDU will become an affiliate of the International Democratic Union (IDU), which is the international grouping of non-socialist parties of the world, until the IDU forms its Americas branch, which will include North and South American and Caribbean countries, into which it will be absorbed.

Political parties affiliated to Socialist International, to which the IDU is opposed, cannot join. Thus Jamaica's PNP, as well as major parties in Trinidad and Tobago and Barbados are not eligible for membership.

It will be the fulfilment of a hope fostered in the post-Grenada West Indies by Jamaica's Prime Minister and leader of the ruling Jamaica Labour Party (JLP), Mr. Edward Scaga, who has been the main force behind the formation.

The first step towards this achievement was definitely the action in Grenada in 1983. But, the main step towards its formalization was a meeting of the nine parties held last month at the invitation of Prime Minister Eugenia Charles and her Dominica Freedom Party.

The meeting which was held at Dominica's Layou River Hotel between September 21 and 22, was called to discuss, as a communique which followed pointed out, the question of freedom and democracy.

in the region "with a view to fostering co-operation among like-minded parties for the preservation of democracy."

The statement about "like-minded" parties takes us back to an interview published in the *Gleaner* in December, 1984 with the JLP's main representative at these developments, Mr. Clifton Stone, M.P.

Mr. Stone had just returned from Grenada, where the JLP and several of the eight Eastern Caribbean parties who are to form the new union had been influential in getting the New National Party of Mr. Herbert Blaize elected to power: in fact it has not been denied that Prime Minister James Mitchell of St. Vincent was influential in getting the NNP formed out of a group of moderate Grenadian parties together, and that the JLP provided much support in terms of electoral expertise and campaign equipment.

Will not interfere

Following that initial successful collaboration between the parties, Mr. Stone was asked on his return home: "Do you expect that the relationship which has been developed with the NNP will continue?"

He replied: "We have set them on the road and we have left them to run their country. But we would be ready if they needed our advice, or the benefit of ours at party level. We don't intend to interfere with how they run their country. It is a question of fraternal relationship. For instance, we have similar views and we share them and that is why I think that a regional grouping would be good. It could probably provide a forum where once a year we could meet and have dialogue."

However, Mr. Stone admits only progenital acquaintance with the idea. Obviously, paternity belongs to Mr. Seaga, who has made the formation of this union one of the chief aims of his current administration.

The night before the Grenada elections last December, Mr. Seaga proclaimed to party supporters in Old Harbour: "We (the JLP) have a team working there with the moderate political parties that have now joined forces under the banner of the

NNP, one of whom has been there for as long as a year on a political party to party basis, not as Government of Jamaica... Their success will be our success. Their success will be the success of all well-thinking democratic forces in the region, and we look forward to the results tomorrow so that we can say 'mission accomplished'.

Well, Mr. Seaga and his party not only accomplished that mission, quite easily I might add, but another mission was accomplished this July, when Mr. Stone was again dispatched to Dominica to assist Miss Charles' DFP in their bid for re-election: this was another mission successfully accomplished.

Now that they are about to accomplish the third mission, which is the formation of a regional grouping of these parties, the activities related to Grenada and Dominica might serve as guide to what can be expected from their inter-party relations within the new union.

However, the formation of the CDU will go even a step further: the group will eventually form part of the International Democratic Union's (IDU) new Americas branch, formation of which was one of the decisions emanating from the July meeting of the IDU in Washington D.C.

The IDU is the international grouping of moderate/conservative/democratic parties throughout the world which came into being in 1983, under the leadership of Austrian politician, Dr. Alois Mock.

It has developed into a very strong international political unit, probably replacing the aged Christian Democratic Union, rivalling Socialist International.

At its last meeting in Washington D.C., to which Mr. Seaga led Jamaica's delegation, the IDU drew representatives from 25 Conservative and Christian Democratic parties including, President Reagan's Republicans, Mr. Kohl's Christian Democratic Union of West Germany, Mr. Nakasone's Liberal Democrats of Japan and former French Premier Jacques Chirac's RPR.

Among the leaders present were: Mrs. Thatcher of Britain; Mr. Mulroney of Canada; Mr. Esquivel of Belize; Mr. Schluter of Denmark; and, Mr. Willock of Norway.

At that meeting, at which the JLP was formally admitted as the 23rd member, Mr. Seaga took the opportunity to propose the formation of the Caribbean grouping when he spoke to Caribbean and Latin American leaders attending the conference.

He announced that the CDU would be affiliated with the IDU as an interim arrangement until the Democratic Union of the Americas, incorporating the United States, Canada, Central and South America as well as the wider Caribbean was established.

Speculation

However, there is some speculation that the English-speaking Caribbean's group is worried that they might be squashed by the giants to the North and the South, as has been the case at the ILO, and are trying to get an early start to form a bloc which could exert a great deal of influence on the Americas group.

But, whatever happens, in the ensuing months as the membership of S.I. and the IDU continue their

relentless pursuit of their varying aims, one thing is certain is that politics in this region and the rest of the world will never be the same again.

No doubt the need for political parties to collaborate in order to define new ideological directions has been an effect of the diminishing influence of traditional political doctrines.

Whether some see this as a trend towards further tribalization or not, the parties have been forced to drift from populism to seek to remove ideological obstacles. What they replace the past with must be the main theme of discussions emanating from these forums.

Mr. Manley's coziness with Socialist International and Mr. Seaga's new found friends in the IDU, are indications that we are moving in time with the rest of the world, politically, and that Jamaican politics, which for the past 41 years has been characterised by plebeian tendencies revolving mainly around charismatic personalities, is earnestly searching for new dimensions.

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INTER-AMERICAN AFFAIRS

CARIBBEAN BANK OK'S LOANS FOR BARBADOS, JAMAICA

FL012343 Bridgetown CANA in English 2313 GMT 1 Nov 85

[Text] Bridgetown, Oct 31 -- The Caribbean Development Bank (CDB) today announced approval of US\$13 million dollars in loan financing for two major infrastructural projects in Barbados and Jamaica, both having positive implications for economic development.

Barbados is to receive seven million dollars (U.S.) to assist in extensive rehabilitation work on the runway of Grantley Adams International Airport, and Jamaica six million (U.S.) dollars for phase one of an export-free zone at Montego Bay on the island's north coast.

It said the loans were approved at today's meeting of the board of directors under the chairmanship of the bank president William Demas.

In addition to the loans, the meeting dealt with a number of technical assistance grants to borrowing member countries.

The new financing increased to US\$533 million dollars the total of CDB's net approvals in loans, contingent loans, equity and grants since its establishment in 1970.

Action was taken to formalize the appointment of long-time bank secretary Crispin Sorhaindo of Dominica to the newly created post of vice president (corporate services), the second vice-president in CDB.

The project at Barbados' principal international gateway, through which passes about 75 per cent of the estimated 350,000 tourists who visit annually, involves reconstruction of the landing strip, strengthening and resurfacing other sections of the runway, construction shoulders, drainage work, landscaping and installation of aviation ground lighting.

Through this loan, which is being made available from its ordinary capital resources, CDB will be providing almost two-thirds of the overall capital cost of the project, a bank statement said. Under CDB's variable interest rate system, the current rate on such loans is 9.5 per cent, exclusive of commission.

Construction work on the airport project is expected to begin around February next year, with completion scheduled for November the same year.

CDB's loan to Jamaica will go towards the construction of almost 19,000 square meters of building space and associated external work in the first phase of the Montego Bay free-zone development.

This scheme is part of an overall development plan for the Montego Bay area, which is designed to increase and diversify employment opportunities to develop a more autonomous economic and cultural centre for that region of Jamaica, the bank said.

However, in these continuing efforts by the Jamaica Government to attract overseas investment in order to boost the country's industrial development, care is being taken in the selection of industrial activities to ensure that those to be located in the free zone will not adversely affect the environment or the image of Montego Bay as a resort city, it added. Light industries such as data entry operation, electronic component assembly, toys and sports goods manufacturing have been identified as suitable industries for the new development.

Capital cost of this phase of the free zone is estimated at about 7.7 million dollars (U.S.), with CDB lending six million dollars (U.S.), two million dollars (U.S.) from its ordinary capital resources and four million dollars from its special fund resources. The current rate on special fund resources is four per cent.

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INTER-AMERICAN AFFAIRS

LIBERATION THEOLOGIANS VIEW NICARAGUAN SITUATION, DEBT

Mexico City PROCESO in Spanish 7 Oct 85 pp 49-52 No 466

[Article by Raul H. Mora]

[Text] Managua--The International Week for Peace in Nicaragua and Central America was celebrated in this city last September. It brought together liberation theologians such as the brothers Leonardo and Clodovis Boff, Dominican Brother Betto, Brazilian Bishop Pedro Casaldaliga, and the winner of the Nobel Peace Prize, Adolfo Perez Esquivel.

The Ecumenical Committee for Peace in Nicaragua, the organizer of the event, invited all Latin American countries to join in the celebration of the week and to consolidate their local committees and asked "the mass media to report on the week's celebrations so that people know what is really happening in Central America."

The Central American Historical Institute (IHCA), which is headquartered in this city, spoke with some of the people attending the meeting, which was regarded as the culmination of the second stage of the "evangelical insurrection" that Nicaraguan Foreign Minister Miguel D'Escoto is promoting.

IHCA: We hear it said that Nicaragua is a model, that the continent's destiny is at stake here. Is this true? Isn't it an exaggeration? And if it is a model, how so?

Perez Esquivel: I don't know whether Nicaragua is a model. What I do know is that Nicaragua is a challenge. And it is also testimony of a people's commitment to achieve their self-determination. I think that what is more important about Nicaragua is the presence and commitment of Christians and non-Christians in seeking liberation. Their cooperation is of great significance for the entire Latin American continent. But it is a difficult challenge, which is why this process has given rise to all sorts of conflicts, even conflicts within the Church. What is our conception of society? What road are we supposed to follow? All Latin America is waiting to see what happens, because Nicaragua is setting a precedent.

Clodovis Boff: To Christians in Brazil, Nicaragua first of all represents a major event: the fact that a small nation is shattering outside domination.

This is the most important thing. We see the mistakes, we see the limits of this small country, we know of its history. This fact, this event is the basis of Nicaragua's symbolic strength. Because people understand it right away: if they were able to do it, we can't we? Herein lies the greatest strength of Nicaragua's example. Nicaragua is also significant to us Christians because of the massive presence of Christians in this liberation process, from the overthrow of the Somoza dictatorship until today. Never in history has there been such a clear-cut example of Christian involvement in a liberation process. All of this is new, and this is why it is a challenge. We are involved in a process that has not yet been resolved. It has not yet been completely consolidated but is moving in that direction. All of this holds great significance for the entire continent.

Brother Betto: The possibility and hope of social change, of a society with justice, brotherhood and freedom in Latin America hinges on Nicaragua today. The future of the entire continent is at stake here in Nicaragua. Proof of this comes from American imperialism itself. Precisely because they perceive Nicaragua's far-reaching importance, they are promoting a war of aggression. They want to make it clear that new Cubas and new Nicaraguas are impossible. But what is happening is that with such aggression imperialism itself is heightening anti-imperialist feelings in communities, in parties and in nations all over the continent. Aside from the importance of all this, there is the specific presence of Christians. For the first time in history Christians have played a leading role in social change alongside their atheist, nonbeliever and Marxist comrades and with the backing of their hierarchy, which even issued a pastoral letter that legitimized the armed struggle theologically and doctrinally. I can identify three currents in Nicaraguan culture: Sandinism as a utopian blueprint for liberation; Christianity as a more longstanding and historic expression of Nicaraguan culture, and Marxism as the political rationale for a revolutionary process. I see that these three currents are blending together in many people in Nicaragua and I feel that in the future this blend could be Nicaragua's distinguishing characteristic.

IHCA: During his stay here Monsignor Pedro Casaldaliga has strongly emphasized the challenge facing the Church of the poor in Nicaragua vis-a-vis the institutional Church, and he has asserted that he still does not know exactly how the confrontation will turn out. What do you think of all this? How do you see the Church in Nicaragua?

Clodovis: I see a great challenge, a very great challenge. The Nicaraguan Church is faced with a different sort of historical opportunity in the relation between Christians and revolution. It is on the way towards a relationship of synthesis, but there is no guarantee of such a synthesis. The Church is extremely polarized. The major differences of opinion within the Church throughout the world are condensed here in Nicaragua. On the one hand there is the juridical model, which is based on the instructions from and the trends in the top Roman hierarchy, which has a great deal of strength here. On the other there is the model of the Church of the people of God, which is also very strong in the base communities and because of the solidarity that these base communities have in their counterparts throughout Latin America. We can see these two models very clearly in Nicaragua. Here, on a small

scale, we can see the larger struggle, the struggle of giants in the worldwide Church. In the short run the outcome of the struggle is not clear, nor can we be naively optimistic. In the long run I think that there is going to be a synthesis between Christianity and revolution. Why? Because the evolution of the Latin American Church is irreversible at this point, and this is going to bear much fruit for the Nicaraguan Church through international ecclesiastical solidarity.

Brother Betto: I worked here with the Christian communities, especially with peasant farmer communities, from 1980 to late 1984. I came three times a year for religious and political workshops for the peasant farmers. The experience that I gained from this work makes me less pessimistic than Don Pedro. Yes, there is much suffering, and many people have not found "proof of their faith" in the new situation. In light of the anti-evangelical attitude of certain bishops, many young people have begun to feel ashamed to say that they are Christians and have lost hope of a synthesis between Christianity and revolution. But I have sensed that the poorest people, such as the peasants, do not feel that way. Perhaps because they make an intuitive, deeper distinction between the substance of the faith and its short-run political application. I know that they are aware of their disagreement with the bishops, but they feel that such disagreement does not affect the basic substance of their faith. So, I think that in the long run, as Clodovis says, the raw material of grassroots wisdom will flourish and pave the way for turning Nicaragua into a country of Christian revolutionaries who can live their revolution and their faith.

The issue of the Church in Nicaragua is important. Ever since the liberation struggle, the myth of a Church wedded to the bourgeoisie has been shattered. People can once again hope for an evangelical Church in communion with and in service to the poor and the oppressed. This naturally made the ruling classes and especially the imperialists somewhat desperate. They sense that the Church of the poor and liberation theology destroy the religious legitimacy of their domination and, at the same time, legitimize the liberation struggles religiously, theologically and in the Church's eyes. And the possibility opens up of a Church within Latin America's socialist future. All of this is going on in Nicaragua, which is why the ideological struggle in this country depends so heavily on religion and the Church. And the struggle is having repercussions throughout the continent, which is overwhelmingly Christian. Cuba, which is beginning to draw closer to Latin America, has also realized that a rapprochement means that it will have to take up the issue of religion and relations with the Church.

What is happening is that we are at a very difficult juncture, a time of war. I would like to underscore this major fact: In spite of the stand of certain bishops, in spite of the outrages that this Christian people has suffered at the hands of certain people, at no time have either the priests or the government broken with the Church in the slightest and been tempted to form a new church. Some people have felt their faith growing cold and are wondering now whether they have faith or not; they are confused, but there is no sign of a break. On the contrary, the Church of the poor is always calling for dialogue, communion and understanding. Unfortunately, certain bishops have always taken the most sectarian stand.

IHCA: What significance do you attach to the fast that Father D'Escoto went on and to the evangelical insurrection to which he has summoned Christians?

Perez Esquivel: To us his action was a very clear Christian testimony. Both fasting and prayer give strength. We felt it, we understood it, and it had an impact even though the news was strongly suppressed. I think that Miguel's idea of an evangelical insurrection accurately reflects the feelings of Latin America's Christians along this difficult road to the liberation of our peoples.

Brother Betto: I heard the news in Sao Paulo, where people mobilized a great deal. I acknowledge, however, that the news took us by surprise. In this regard, I would like to offer a little political suggestion. I have gone on two hunger strikes, one of 7 days and the other of 36 days. The situation was different: I was in jail. But the success of a hunger strike or a fast like this always depends greatly on how it is prepared. You have to create support bases to publicize the strike, the significance of the strike. In Brazil, which is so close to Nicaragua, we feel that this was somewhat lacking. So, if there is going to be another fast, let us know in advance so that the struggle and the discussion groups are more consistent and we can successfully overcome the blockade by the mass media.

Clodovis: It also took us by surprise. We were really not accustomed in Latin America to this sort of reaction to aggression. So, this gesture aroused a great deal of interest in the Christian communities. And they clearly saw the significance, the deep social, prophetic, evangelical and also political strength of a fast. Psychologically, our people felt that Nicaragua was in a critical situation and that for this reason its foreign minister was risking all, was risking his life. I was in the Amazon region at the time, in Acre, Brazil's westernmost province, near Bolivia and Peru. I then went to Goias, which is also in the Amazon area. The communities there sensed the dramatic atmosphere and organized prayer sessions, solidarity vigils, series of fasts and discussion groups on the situation in Nicaragua.

IHCA: Some analysts of the situation in Latin America feel that our countries' debt is not just a major problem but the fundamental problem for our continent at this juncture. Is the situation that serious? Do Christians and theologians have anything to say, anything to do about meeting the foreign debt challenge?

Perez Esquivel: We have to see the debt as a new form of slavery that has been imposed on the countries of the Third World. It is the upshot of an entire system of domination that has made us even more dominated. And from this standpoint the debt has a great deal to do with the Nicaraguan process, because Nicaragua is the country that is trying to shatter the system of domination that makes us dependent. I have noticed that no matter how many analyses are done on the foreign debt, the conclusion is always that it is unpayable. We have to start from that basis. But it is more than just unpayable. It is immoral and unjust and harms all of the Third World countries. It is a reflection of the unjust relations between the countries of the North and the countries of the South. As Christians we have to address this problem. Because it is not a problem for economists and specialists; it

is a political and an ethical problem, and we have to tackle it as such. As Christians we have to make a specific contribution to resolving this tremendous problem. For some time now I have been tying together the human rights problem, the foreign debt and democracy. When we talk about human rights, we tend to boil the problem down to torture, disappearances, kidnappings and jailings. We are thus looking at the effects, not their causes; we are failing to see the mechanism of domination. Unless we attack the causes, we are always going to have the same effects and we are never going to be able to establish true democracy, just those facades of democracy, those sterile, dependent, conditioned governments. My country, Argentina, has said that it is going to pay the debt, has accepted the impositions of the IMF and has submitted the debt matter to U.S. courts, not Argentine courts...So one wonders what democracy we are talking about. Paying back the debt today means recessionary policies that lead to all sorts of human rights violations. I think that when we talk of the self-determination of peoples, we are talking about breaking this vicious circle.

Clodovis: I would like to speak as a theologian and say two things. What is at stake in the debt problem? On the one hand, the lives of millions of people, and on the other, the interests of a few thousand usurious bankers.

There must be no doubt about which we choose. We must choose life, the lives of millions and millions of children, of men, of women, of a nation. This is the reasoning that the Church, that Christians, that theologians must advance. Life. Because money exists as a function of life, because it is distilled labor, because it represents the activity of life, which is labor. Money exists to serve life. Brazil negotiated its debt with 600 banks, thus negotiating the destiny of 130 million Brazilians. The Brazilian Government, which does not represent the majority of the people, bowed down to the international banking system. Our position on such matters is simple: the Church must defend life.

A second idea. Cancellation of the debt has a very specific basis in the Bible. In the Old Testament, all debts were settled under the grace law and the year of grace or sabbatical year. That was a wise law. Because they knew that in society injustices always accumulate and there comes a time when this has to end and a new start must be made on the basis of a new balance, a new equality. In announcing his program, Jesus also proclaimed a year of grace, a year of cancelled debts in the name of the Lord. The Church must also put forward this sort of broad proposal and, in so doing, mobilize the masses among which it has gained influence. The Church should not get involved in legal, technical questions. Its proposal should be broader, reemphasizing these two great themes: defense of life and the message of the Bible. Through these two messages, which transcend narrow legal considerations, the Church must propose a new phase in international relations.

Leonardo Boff: Nicaragua Has Shown Us That a New Church Is Possible

Managua--Under Vatican restrictions because of his theology, Franciscan priest Francisco Boff can neither teach nor make statements nor publish his writings. He has not been prohibited from preaching when he says Mass, though. At the concelebration that marked the close of the International Week for Peace in

Nicaragua and Central America on 15 September, the bishop of Goias, Pedro Casaldaliga, gave the floor to Leonardo. Newsmen were there with their tape recorders. Boff is not responsible for the publication of excerpts from his homily. The Brazilian theologian had this to say in his homily (the word means conversation):

We have a great deal to learn from Nicaragua. First of all, it is possible to transform society. One could become fatalistic and say: we are just tiny ants facing a huge, monstrous elephant. There is nothing we can do. But tiny Nicaragua has shown us with its bravery that it is possible to create a new and different alternative, that it is possible to move people's hearts, that it is possible to create an alternative, that it is possible to confront the monster, that a revolutionary transformation of society is possible, that there can be more hope for children, for the elderly, that life expectancy can be increased, that people do not have to die young, as Las Casas told us, but instead can live their lives as a gift from God, making their bread together so that can eat together at the same table. This is why everything that is happening in Nicaragua is so important to us from a political and religious standpoint. Because it is a sort of preview of all our dreams and hopes. And we leave here with this conviction: If the Nicaraguan people were able to do this, why can't we do it in our countries, which are much larger and much richer, for example, my country, Brazil?

We also have much to learn from you about a sense of festivity, of humor and of poetry. Your brothers die along the border, and we suffer, but the broader outlook of a certain victory, that we will overcome gives Nicaraguans a profound sense of joy, a sense of humor, a sense of poetry that can be seen in all of you. A people who have a sense of poetry as they fight cannot be defeated, because poetic inspiration is an inexhaustible source of life and always enables one to begin anew. Each bomb crater thus becomes a trench for defending or advancing.

We have also learned in Nicaragua that not only is a new society possible but that a new Church is possible within it. You are that new Church. The Nicaraguan people have given us testimony of a faith that they maintain in spite of the scandalous actions of major official sectors of the Church, a faith that lives amid opposition. Believing in the Church means believing in spite of so many Christians who belong to the Church. You have lived with public scandal from the very top and have not abandoned the Church. They wanted to kick you out, saying that you were a people's Church. And you replied: No, we are the heirs of the great Church of the apostles, we are in communion with that Church in spite of the opposition. You are helping to transform the Church so that it is better suited to this society. You are creating a Church with a different way of exercising sacred power, of being a priest, of being a bishop, of being a nun, of being a layman. A Church with Christians who have a passion for God and for social justice. You live your faith amid opposition and have remained faithful. And we would like to thank you very sincerely. You have helped me with my own personal problems. Many times in my prayers I have thought back to the Church of Nicaragua and its struggles. What I have suffered personally cannot compare with what you have suffered here, because the faith is much more strongly tempted here amid opposition. In spite of everything, your faith was stronger, and to all of us

you are an example of a Church that is going to triumph, of a Church that does not create parallel alternatives to what is being built but that instead heightens, radicalizes and gives a divine transcendence to all that is being built here with hard work, with sweat, with the tears of so many mothers and with the blood of so many of our brethren.

We must consolidate this Church through solidarity by restoring the meaning of fasting (its political meaning as well, I would say), as Father Miguel D'Escoto and so many others who have fasted with him, such as Pedro Casaldaliga on behalf of 23 Brazilian bishops, have discovered. So many people here are restoring the meaning of communion and solidarity. This is why we have come here to pray and sing with you, to make common cause with you, to shake each other's hand and then move ahead in solidarity in our countries, to nurture the seed that has sprouted here, like a small flower in the Amazon jungle that has 90-meter high trees looming over it. It is fragile but it has the strength of lifeblood. And everything that has to do with life is strong and has the strength of life.

I want to tell you in complete faith and to assure you, with the little authority that a theologian can have, that God is with us, that God is with you. And I say this with total certainty. Because if there is anywhere that Christ is unfailingly present, it is not in the Eucharist that we are going to celebrate and take. There is an even more certain place: God is with the poor. That is where the Lord is, with the poor who believe that God does not want poor people in this world. Because when Jesus calls the poor blessed, he is telling them that they will not remain poor, but not that they will become rich. No, God's design is not that there should be rich and poor but that there should be brothers and sisters. As Sandino said: 'Not only has God helped our cause; he has become an interested party.' We have to be aware of this, that God is an interested party in the liberation of His people. If God has an interest in history, that interest blends and identifies with the interest of all those whose main cause is the political struggle to build a society with freedom and justice, in which there is more life for the poor and, as a result of this life, peace. God is with these people; their ideology matters little.

We Christians must believe this, uniting Gospel and revolution, combining theology and politics, a passion for God and a passion for the poor and their liberation. The true followers of Jesus and true revolutionaries do not surrender or sell themselves out.

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CS0: 3348/132

INTER-AMERICAN AFFAIRS

BRIEFS

CARIBBEAN POLITICAL SUMMIT--Bridgetown, Nov 4 -- Leaders of political parties in the Caribbean meet here November 8-10. The conference is being organised by the National Democratic Institute for International Affairs and the Centre for International Private Enterprise as well as the ruling Barbados Labour Party (BLP) and the island's main opposition Democratic Labour Party (DLP). The meeting is expected to bring together party leaders from democratic Caribbean nations to discuss common goals and problems and determine specific ways in which the institute could help further regional cooperation. Key issues to be addressed during the conference are the alienation of youth, the effects of economic hardships on democratic institutions, the role of foreign investment, and the need to revive the concept of regionalism in the area. The role of activating democratic-advocacy groups has also been raised as an important subject for discussion. Press reports said the heads of government of Barbados, Grenada, Dominica, and Puerto Rico and top U.S. officials were expected to attend. [Text] [Bridgetown CANA in English 2315 GMT 4 Nov 85 FL]

CARIBBEAN, S. AMERICAN INFLATION--Bridgetown, Oct 31 -- Barbados ended 1984 with the fourth best inflation rate among the 25 countries in the Caribbean and Latin America, 4.6 per cent, according to data compiled by the Inter-American Development Bank (IDB). Only Panama, Surinam, and Honduras were ahead of Barbados on inflation in the hemisphere, the [DAILY] NATION newspaper reported today. The IDB said only seven hemispheric countries recorded single digit increases in consumer prices. The others were the Bahamas with 5.3 per cent and Haiti and Guatemala, each with eight per cent. In relation to the inflation picture for Barbados, the IDB suggested in its 1985 annual report that the moderate price increases recorded in Barbados last year were the result of both internal and external factors. The IDB's report said that the moderate rise in consumer prices reflected the stable prices of imported goods and the availability of local produce. Trinidad and Tobago reduced its rise in prices from 16.8 per cent in 1983 to 13.3 per cent last year. The IDB said Jamaica's inflation rocketed to 17.8 per cent from the 11.3 per cent of 1983. [Text] [Bridgetown CANA in English 2340 GMT 1 Nov 85 FL]

SARNEY-ALFONSIN MEETING--President Jose Sarney is getting ready for an important meeting he will hold on 29030 November, when he and Argentine President Raul Alfonsin will dedicate the Presidente Tancredo Neves Bridge, which joins the two countries across the Iguacu River. The agenda items include the foreign debt and technological cooperation in the areas of genetic engineering and biotechnology for food production. [Text] [Sao Paulo Radio Bandierantes in Portuguese 1450 GMT 13 Nov 85 PY] /6662

CSO: 3342/28

ANTIGUA AND BARBUDA

BRIEFS

TOURIST INCREASE--LONDON, Oct 1 -- Antigua and Barbuda recorded a 12.2 per cent increase in tourist arrivals during the first seven months of this year to keep on course to a record performance, its high commission in London said today. High Commissioner Ronald Sanders said that Antigua and Barbuda has seen its biggest growth from the European market, which rose by 67.4 per cent during the period January to August, compared with the same period last year. Sanders said that while he was delighted with the great mobilization of the European market, he was heartened by a small but steady increase from the British market, which rose by 6.6 per cent, despite a weak pound earlier in the year. He said that overall figures, for stay-over visitors for the period January to August, have already surpassed the total figures for each of the years 1979 to 1982, and are only marginally behind the total number of stay-over visitors for the entire year 1983. Sanders said that based on the performance for the year so far and advance bookings by tour operators, it seems likely that 1985 will witness the highest number of stay-over visitors to Antigua and Barbuda in its history. [Text] [Bridgetown CANA in English 1624 GMT 1 Oct 85 FL]

APARTHEID POLICIES--St Johns, Oct 23 -- The newly formed National Democratic Party (NDP) of Antigua and Barbuda has called on the government to intensify its efforts at home and at international forums towards the eradication of apartheid. In a statement condemning South Africa's apartheid system, the NDP said the government should stop paying mere lip service and give meaningful support toward the destruction of this abominable system. The party also rejected arguments of the United Kingdom that economic sanctions imposed on the Pretoria regime would cause greater suffering to the oppressed peoples of South Africa than help to destroy apartheid. [Excerpt] [Bridgetown CANA in English 1417 GMT 23 Oct 85 FL] Nassau, Oct 21 -- Antigua and Barbuda today promised to commit more funds to the fight for an end to South Africa's racial segregation system. The pledge was made during a meeting here between Antigua and Barbuda's Prime Minister Vere Bird, its Foreign Minister Lester Bird, and a representative of the African National Congress (ANC), John Makatini. A joint communique said the prime minister had disclosed that Antigua and Barbuda would make more funds available to the legitimate struggle of the majority of people in South Africa. The prime minister also announced that his political organisation, the Antigua Labour Party, would establish a fund to secure voluntary contributions to assist the process of liberation in South Africa, the communique said. [Excerpt] [Bridgetown CANA in English 1823 GMT 21 Oct 85 FL]

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CSO: 3298/099

ARGENTINA

NOBEL PRIZE ECONOMIST ASSESSES BAKER PLAN

PY102004 Buenos Aires BUENOS AIRES HERALD in English 10 Nov 85 p 17

[Text] Nobel economy prize laureate Franco Modigliani yesterday said the "Baker Plan" is well intentioned but lacks a clear method of implementation.

The 1985 Nobel winner also showered new praise on the government's economic programme but suggested local banking be reformed and roundly disapproved of the government's forced savings plan.

Modigliani told a press conference yesterday that the Baker Plan, which would channel 20 million dollars in new loans to certain developing countries with foreign debt problems, "obviously has very good intentions."

Instead of squeezing debtor countries, the idea behind the Baker Plan is to help countries grow, the Massachusetts Institute of Technology professor said. "But I don't see how it will be implemented. There is no clear method," he added.

Modigliani also praised the government's Austral Plan, but emphasized that the wage-price controls clamped on the economy last June 15 must start to be lifted soon.

"If a start isn't made to lift controls after a few months then I start to lose belief (in them)," said Modigliani, who during his six-day visit met with President Raul Alfonsin, Economy Minister Juan Sourrouille and other government officials and addressed a private economists' conference in Mendoza.

Getting out of the control phase requires an agreement between labour and business, the Italian-born scholar added. Both will have to agree that "wages should increase only with productivity increases."

"Without an agreement there is a great danger of going back to the stop-and-go (inflation) of Great Britain, Italy and Spain where wages got out of control."

A further cause for concern in the long run, he added, is Argentina's banking system. "The spread (between savings and loan rates) here is six to 10

times more than any other country I know," Modigliani said. "Here it's two percent a month when in other countries it's two or four percent a year."

Modigliani also praised government efforts to reduce the fiscal deficit and hinted that "measures to curb (state) spending" may follow.

Though approving most of the Austral Plan, Modigliani was very critical of the forced savings scheme. "It's not a forced savings but a forced loan" the government is asking of business and upperincome sectors, he said.

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CSO: 3300/69

ARGENTINA

POLITICAL FIGURES VIEW BAKER PLAN

PY112055 Buenos Aires BUENOS AIRES HERALD in English 11 Nov 85 p 5

[Text] (NA-DYN)--Intransigent deputy-elect Oscar Alende yesterday hit out at the Baker Plan as "a new domination of international financial capital" and compared Treasury Secretary Mario Brodersohn's praise for the plan with the initial approval given to the policies of former economy minister Jose Martinez de Hoz or the theory of some economists that the 30's were a positive time for Argentina.

Alende also told the Radio Belgrano programme Manana, Tarde y Noche that while banks like Chase Manhattan and Morgan reported improved dividends, real wages in Argentina had fallen 30 percent and the Gross Domestic Product had slumped 3.5 percent in the second quarter this year, the worst such figure in the last 10 years.

He accused the government of inconsistency, making payments on a foreign debt which Foreign Minister Dante Caputo at the same time called unpayable.

On other issues, Alende explained that his party was not against foreign oil investment provided the whole matter was submitted to Congress like the foreign debt and expressed satisfaction with last Sunday's election results. While the two main parties had each lost half a million votes, the Intransigents had grown from 412,000 to 929,000, he said, thus proving itself to be the most rapidly growing party in the country.

In other reactions to the Baker Plan over the weekend, Radical deputy Guillermo Tello Rosas said that Argentina's role was still not defined, while Peronist economist Guido di Tella commented it marked progress because it stressed growth and Buenos Aires Radical party chairman Juan Manuel Casella said it helped the banks more than debtors.

Tello Rosas also feared that Argentina would not receive enough credit under the plan and that being a guinea pig for a new United States approach to the debt problem could jeopardize Argentina's status as a Third World leader. Di Tella said the 20 billion (thousand million) dollars earmarked for loans to debtor countries under the plan would not be enough.

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CSO: 3300/69

BOLIVIA

DEBT COMMISSION HEAD TO GO TO SPAIN

PY151454 La Paz Cadena Panamericana in Spanish 1130 GMT 15 Nov 85

[Excerpts] Minister of Foreign Relations Gaston Araoz Levy spoke to journalists after meeting with the president yesterday morning to brief him on the negotiations on the financial aid offered to Bolivia by several foreign countries, particularly by the United States. He also referred to the international mission which will be carried out in the next few hours by Engineer Adolfo Linares, head of the special commission for the renegotiation of the Bolivian foreign debt.

[Begin Araoz recording] Linares will now travel to Spain at the invitation of the Iberoamerican Institute of Cooperation. He will also contact Spanish authorities if the aid offered by Prime Minister Felipe Gonzalez is settled on. It is well known that Gonzalez interceded in favor of Latin America and urged the EC to cooperate concretely with Bolivia. [end recording]

Minister Araoz also referred to the statements by Chilean Foreign Minister Jaime del Valle regarding the Bolivian maritime problem.

[Begin Araoz recording] Well, I believe that I have repeatedly stated our country's position clearly. However, I can tell you that, with the aid of an advisory committee made up of former foreign ministers and international affairs experts, we are defining the stand we will take at the next OAS meeting.

Regarding the [words indistinct], well the special session will be held first to discuss the reform of the charter [words indistinct] and the Bogota Pact.

In the ordinary session we will discuss several subjects. I mean general issues like the Malvinas, the Central American problem, and the Bolivian maritime problem. [End recording]

Minister Araoz did not reveal any more details of the position that Bolivia will adopt regarding the maritime conflict, but said that this will be defined only at the OAS.

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CSO: 3348/173

BOLIVIA

DROP IN TIN PRICES CAUSES 'PANIC'

PY251433 Madrid EFE in Spanish 2055 GMT 25 Oct 85

[Excerpt] La Paz, 25 Oct (EFE)--The drop in tin prices on the international market has caused panic in Bolivia, a country whose main income source comes from tin exports.

Private enterprises, the state mining company, and the workers unanimously stated today that this situation will have a negative impact on the national economy and on the living standards of thousands of families who are trying to overcome the effects of a severe economic policy.

Planning Minister Guillermo Bedregal today termed the drop in tin prices a catastrophic situation and added that the lack of a control in the production and marketing of the metal will cause serious damage to the Bolivian economy.

Raul Espana Smith, representative of the private mining sector, stated that the violent drop in tin prices will have disastrous effects on the government's economic program. The government has been trying to face the crisis while hoping for an increase in tin production and exports.

The International Tin Council [CIE], headquartered in London, has used up its funds and has stopped purchasing the mineral, as it usually does to maintain its price.

This drop in prices is due to the saturation of the international market caused mainly by the lack of export controls by nonproducers of tin such as the PRC and Brazil.

Juan Lechin Oquendo, leader of the Bolivian Labor Confederation, stated today that the CIE decision was predictable; and he regretted the fact that Bolivia has to face this problem due to the government's mistaken policy, because it does not want to substitute the production of gold for tin.

Edgar Barrientos, secretary of the Congressional Mining Committee, has stated that what has happened is alarming, and shows once again that Bolivia is still a defenseless and helpless victim of speculation in the international tin market.

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CSO: 3348/175

BOLIVIA

COB-GOVERNMENT TALKS RESUME; NO AGREEMENT REACHED

PY132057 La Paz Cadena Panamericana in Spanish 1700 GMT 13 Nov 85

[Text] The dialogue between the Bolivian Labor Confederation [COB] and the government continues. On direct orders given by President Victor Paz Estenssoro, the dialogue between the COB and the ministers resumed on Monday.

After the meeting this morning, Radio Panamericana recorded the remarks by COB Executive Secretary Juan Lechin Oquendo.

[Begin Lechin recording] Well, as you may have noticed, the dialogue is taking place in a cordial atmosphere. But the education minister is absolutely wrong. He is either unaware of the laws or he has not received the appropriate instructions. The minister has stated that each government implements the policy of its party. But when there are laws and rules, the minister must respect them and not just implement his own policy, as he wishes. [End recording]

At the meeting today, discussion of the situation of some retired personnel was on the agenda. Lechin was asked whether this subject was discussed, and he stated:

[Begin recording] [Lechin] Yes, but what happened is that the interior minister did not show up and it was he who called us to the meeting at 0830. We of the COB have been here since 0830, and except for the labor minister, the other ministers including the interior minister did not show up. And the situation of retired personnel is one of the most serious problems affecting the workers.

[Unidentified reporter] And what policy will the COB adopt in the future, then?

[Lechin] Well, at this pace, we are going to end this dialogue by the end of next year. [End recording]

This is the result of the meeting this morning between the government and the COB. Lechin stated that the matter of the teachers was discussed, but that he was critical of the education minister's position. The problem affecting retired personnel was not discussed, so negotiations will continue for some time.

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CSO: 3348/174

2 December 1985

BOLIVIA

MINISTER SAYS NO NEED TO LIFT STATE OF SIEGE

PY122041 La Paz Cadena Panamericana in Spanish 1700 GMT 12 Nov 85

[Text] Interior Minister Fernando Barthelemy told Panamericana after a meeting this morning with the president that there is no need to lift the state of siege since it is not harming anyone. He said the following about the meeting:

[Begin Barthelemy recording] We spoke about those matters with the president. I have briefed him on the logistics measures we are adopting to comply with the agreements we have reached with the Chapare and Timore region peasants, and we should start the operations on 20 November. That is what we talked about with the president. [End recording]

Further on, the minister spoke about the possibility of lifting the state of siege. There are no reasons for lifting it, Minister Barthelemy said.

[Begin Barthelemy recording] I do not think that the state of siege is hurting anyone, since the government does not even need to apply its rights under the state of exception to repress anyone. Therefore, I do not think it is necessary to lift the state of siege. [End recording]

Finally, about any possible changes in the state of siege, the minister said.

[Begin Barthelemy recording] I cannot tell you anything new because as you well know, there has been no Cabinet meeting. Of course, when a Cabinet meeting is held, we will discuss this situation and adopt a decision on it, with the approval of the president. [End recording]

These were the statements by Interior Minister Fernando Barthelemy.

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CSO: 3348/174

BOLIVIA

INTERIOR MINISTER ON WEAPONS STOLEN FROM MINISTRY

PY190126 La Paz Cadena Panamericana in Spanish 0000 GMT 19 Nov 85

[Excerpt] Interior Minister Fernando Barthelemy has reported that those involved in the theft of weapons from his office will be detained within the next few hours. In fact, Barthelemy stated that Elias Clabijo is the first person detained as a result of the investigations that are being conducted, and that he is still being held at the Interior Ministry. He discarded the possibility that Clabijo's party, that is, the Nationalist Revolutionary Movement of the Left [MNRI], could be involved in the disappearance of weapons transferred to the Interior Ministry during the previous regime. He said that the detentions and the investigations will continue. He stated:

[Begin recording] [Barthelemy] Yes, evidently we will continue the detentions.

[Unidentified report] Will further details be given within the next few hours on these investigations?

[Barthelemy] No. This is directly related to trafficking and the transfer of weapons [words indistinct].

[Reporter] Mr Minister, approximately how many people are involved in these actions?

[Barthelemy] It is very difficult to say how many people are involved. We will have to continue the investigations [words indistinct], and only then will we be able to say how many are involved. In fact, we have important data about [name indistinct], and the investigations will begin from there. [end recording]

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CSO: 3448/175

BOLIVIA

LABOR LEADER APPEARS, SAYS DETAINED ILLEGALLY

PY131731 La Paz Cadena Panamericana in Spanish 1130 GMT 13 Nov 85

[Excerpts] The case involving a missing labor leader in Santa Cruz has been cleared up. Walter Rodriguez, the Bolivian Labor Confederation [COB] union leader from the National Road Service, showed up a few hours after the news of his disappearance caused an upheaval yesterday in Santa Cruz.

[Begin relay from Santa Cruz by unidentified reporter] Labor leader Walter Rodriguez, who disappeared in the last few hours, surprisingly showed up detained in a police station from where he was released at about 1645 on 12 November. Journalists asked him when and why he was detained.

[Begin Rodriguez recording in progress] We presented a list of petitions by the workers to the district director of projects, Salomon Trinidad, and the prefect who would receive us at 1700, but then they changed the appointment to 1800. When we went to the meeting we found that it had been postponed to the following day.

As I was leaving the prefecture, I was met by civilian agents, who without explaining their orders, told me that the prefect was calling me to talk with him and the district prosecutor, but not to be detained. I asked them if there was an arrest order, and they replied that there was not and that I was only being summoned for a talk and that afterward I would be released.

When I arrived at the prefecture I was taken to a jail, from where I was then taken away to be questioned. Afterward, they took my picture and registered my fingerprints, just like a criminal.

When I asked what I was being charged with, no one answered me and they put me in jail again. Afterward, they released me and told me that they did not know what the charges were and that the order had come from the prefect and the district prosecutor.

The public should know that the district authorities are afraid that I will again become a candidate in my union elections and that I may win. Since my union defends the workers rights, it has no possibility of submitting to their power. [End recording]

Walter Rodriguez later explained that at no moment was he submitted to torture or even touched inside the police station. He said he could guarantee that he was not hit or touched and added that he still does not know what he was accused of.

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CSO: 3348/174

BOLIVIA

MINISTER DENOUNCES STRIKES AS CONSPIRACY

PY071918 La Paz Cadena Panamericana in Spanish 1700 GMT 7 Nov 85

[Text] During a press conference today, Education and Culture Minister Enrique Ipina Melgar said that a sui generis [as heard] conspiracy against the legally established government is being conducted through the staggered strikes planned by the teachers sector, starting with today's urban teachers strike.

His charges are very serious, and they should have been made by the interior minister rather than by the education minister.

Despite that upon assuming his post as education minister Ipina Melgar had said that teachers' strikes were justified because the former government had paid them with too much delay and that such a case would not happen any more during his administration, Ipina Melgar today said that the urban and rural teachers' strikes are the beginning of an escalation of strikes that will reportedly end in a general strike by all labor sectors.

According to Minister Ipina, this movement is allegedly being sponsored from underground by labor leaders who were estranged from the labor unions after the recent measures adopted by the government.

Although admitting that the teachers are paid very low salaries, Minister Ipina harshly pointed out that the staggered strikes planned by the teachers are not justified because his ministry is trying particularly hard to normalize the payments with the help of computers.

Ipina Melgar's statements will necessarily have to be clarified by the interior minister because his charges may, of course, cause public unrest, which should not be so when the country is in a state of siege.

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CSO: 3348/173

BOLIVIA

BANK APPEALS FOR HELP TO MAKE HARVEST

PY121456 La Paz Cadena Panamericana in Spanish 1130 GMT 12 Nov 85

[Excerpts] This season's harvest is in danger of being lost for lack of financial support because the Bolivian Agricultural Bank does not have enough funds to grant loans to small farmers. This is forcing the Agricultural Bank to seek cooperation from national and international financial organizations.

The president of the Agricultural Bank, Antonio Soruco, has explained the problem and said that his bank is the only one that helps small farmers.

[Begin Soruco recording] We are currently serving about 20,000 agricultural borrowers, many of which are cooperatives with more than 200 members, to finance 200,000 hectares of planted land, which represents about 20 percent of all planted land in Bolivia.

This is why we are making this anguished appeal to national and foreign financial organizations, and mainly to (?U.S. AID) which has always helped with the minimum funds to save a year's harvest.

We need \$50 million dollars to grant the harvest loans, but on account to our national lack of resources, we reviewed our numbers and were able to determine that the minimum help we need is \$14.6 million. This is the minimum amount of money we need for financing, and even this amount may not be enough to meet the small farmers' credit needs. [End recording]

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CSO: 3348/173

BOLIVIA

BRIEFS

MORE ANNOUNCEMENTS ON ECONOMIC ASSISTANCE--La Paz, 2 Nov (AFP)--According to a report by UN Secretary General Javier Perez de Cuellar, which was published in La Paz, Venezuela has contributed \$20 million to the Bolivian new economic policy (NPE) as part of an emergency fund sponsored by the United Nations. A cable addressed to the Bolivian Foreign Ministry states that this is the third contribution to Bolivia, the former ones being \$10 million from the Andean Development Corporation (CAF) and \$10 million from Colombia. According to an announcement by Vice President Julio Garret Ayllon, over the next few days the cooperation through "swap" credits of the ROK, Norway, and Spain is expected. An additional 23 countries have also announced they will provide assistance, which will bring the fund to at least \$150 million, the vice president said. According to governmental officials, this fund will serve as a guarantee to secure larger credits from international financing organizations like the World Bank and the Inter-America Development Bank. Despite these announcements, the well-known expert in Bolivian economic affairs, Juan Pereira Fiorilo, has publicly asked the government how will it pay back the "swap" credits, since all the economic indicators show that Bolivia is going from hyperinflation to a deep recession. [Text] [Paris AFP in Spanish 1415 GMT 2 Nov 85 PY] /6662

SPANISH AMBASSADOR PLEDGES COOPERATION--The Spanish ambassador to Bolivia has met with Vice President Julio Garret Ayllon and reiterated his country's desire to cooperate with ours, especially considering our current critical situation. He recalled that during his visit to the United States, Garret contacted many personalities and particularly the Spanish prime minister, who once again expressed his will to help Bolivia. The Spanish ambassador assured that there are several European Community countries that are helping Bolivia. [Begin Spanish ambassador recording] As you know, the other EC countries are cooperating with Bolivia and, according to what we know, they have also expressed their desire to continue doing so in the future. I was informed a short while ago that Mr Luis Yanez, the Spanish cooperation state secretary, will speak about aiding Bolivia with the EC development ministers who are meeting today in Brussels. This evidently is a result of the talks between Vice President Julio Garret and Prime Minister Felipe Gonzalez. [end recording] [Excerpts] [La Paz Cadena Panamericana in Spanish 1130 GMT 5 Nov 85 PY] /6662

INTERNATIONAL ORGANIZATIONS OFFER \$1 BILLION--Bolivian Foreign Minister Gaston Araoz Levy has reported that since 6 August, Bolivia has received offers for cooperation totaling more than \$1 billion. He said that the amounts offered through international financial organizations total approximately \$1 billion, but to receive them Bolivia must comply with certain requirements, the foremost being the disbursement of counterpart funds. Araoz Levy said that all these offers are being studied now that progress has been made in the effort to obtain credits that will provide the country with the funds necessary to guarantee counterpart funds for projects that will be financed through international organizations. Araoz said that the offers made by these organizations have nothing to do with the \$150-million emergency fund that is being sponsored by the United Nations. [Text] [La Paz Cadena Panamericana in Spanish 1130 GMT 9 Nov 85 PY] /6662

BANK LIMITS DOLLAR SALES--The long line of people waiting to buy dollars at the State Bank has caught the public's attention. There is such a demand for dollars that the government had to reduce the number of dollars sold to the public. At first, a limit of \$300 per persons was imposed, but that amount was lowered to \$50. Since there is no special control over the sales, Camacho Avenue money changers were seen buying dollars at the State Bank. When asked for an explanation of this matter, Finance Minister Gisbert replied that there is no restriction on the sale or purchase of dollars in the government's economic policy. Despite concern over the possibility that the dollar price might again increase drastically on the black market, the minister said the demand for dollars is natural because many traders wish to import goods for the year-end festivities. However, he added that this demand cannot affect the normal functioning of the Central Bank dollar exchange or the dollar rate, which will be maintained within reasonable limits. Anyway, an exaggerated demand for dollars [words indistinct] could create a problem, which the government should try to avoid, in order to safeguard the new economic policy. [Text] [La Paz Cadena Panamericana in Spanish 1700 GMT 13 Nov 85 PY] /6662

NEW MINIMUM WAGE--La Paz, 4 Nov (AFP)--Finance Ministry sources today reported in La Paz that Bolivian President Victor Paz Estenssoro's administration has set the national monthly minimum wage, which is to be paid by both public and private enterprises, at 25 million Bolivian pesos (a little less than \$25). A complementary monthly transportation bonus of 8 million Bolivian pesos (about \$8) will be added to the minimum wage, raising it to \$33. Based on this minimum wage, the government also recognizes a seniority bonus that fluctuates between 5 and 50 percent, according to the years of work. On the other hand, the Bolivian Labor Confederation (COB) has proven how impossible it is to live in the country with an income below 168 million Bolivian pesos (\$168) due to the increase in the cost of living resulting from the economic measures adopted on 29 August. [Text] [Paris AFP in Spanish 1648 GMT 4 Nov 85 PY] /6662

BLACK MARKET DOLLAR DEALINGS--According to Planning and Coordination Minister Guillermo Bedregal Gutierrez, there are two different factors which have contributed to raising the dollar exchange rate in the black market: First, the wish to buy goods abroad to supply the local market for the year-end festivities; second, the state bank is not charging the 10 percent interest on dollar sales. Minister Bedregal explained that the Central Bank charges a 10 percent interest over the amount of dollars bought. However, the state bank is not applying this same percentage for sales of small amounts of dollars. Therefore, an imbalance has been created and the Camacho Avenue money changers took advantage of the situation to make profits. To clear up the minister's statements, the state bank is only charging 1 percent for administrative expenses, and not 10 percent like the Central Bank. [Excerpt] [La Paz Cadena Panamericana in Spanish 1130 GMT 15 Nov 85 PY] /6662

KEY MILITARY COMMANDERS TO RETIRE--La Paz, 6 Nov (AFP)--It was officially disclosed here today that Armed Forces Commander General Simon Sejas Tordoya, and Army Commander General Raul Lopez Leyton, considered as the architects of the consolidation of the Bolivian democratic process within the military institutions, will retire at the end of year, since they have completed 30 years of service. Military sources stated that the Senate will decide on the promotion of two army generals, six division generals, and eight brigadier generals in compliance with the terms of the constitution. Sejas Tordoya and Lopez Leyton have stated repeatedly that the armed forces fully identify with the democratic system implemented in October 1982. [Text] [Paris AFP in Spanish 0102 GMT 7 Nov 85 PY] /6662

YPFB PRESIDENT ON OIL PRODUCTION--Rene Guachalla, president of the Bolivian Government Oil Deposits [YPFB], gave a press conference on national oil production. He first reported the amount of oil that is presently being exploited in Bolivia, including Bolivian and all the foreign companies that are operating here: [Begin Guachalla recording, in progress] ...Therefore, we are producing 23,000 barrels daily for national consumption. We are also interested in carrying out explorations in other areas of the country. Technical studies for this are underway. I believe that the government's serious ("efforts") will enable us to really allow other companies to come to Bolivia soon. We urgently need to develop the Vuelta Grande project next years. We have held meetings with the World Bank regarding this project and at its request we have contacted the Brazilian Government for it. We held a meeting in Brazil 10 days ago to request that the Brazilian Government be our guarantor through its Central Bank for the \$21 million credit we must obtain from the World Bank for the Vuelta Grande project. [End recording] [Excerpts] [La Paz Cadena Panamericana in Spanish 1130 GMT 6 Nov 85 PY] /6662

UNCONTROLLED MINING INVESTIGATION--Defense Minister Fernando Valle has reported that his ministry will investigate charges of uncontrolled mining of precious gems in La Gaiba region. He said that this region has several deposits that have to be overlooked by airplane and that therefore, the Bolivian Air Force [FAB] was instructed to carry out the investigations. [Begin Valle recording] As you know, La Gaiba is a state reserve. The charges made by a local newspaper were brought to the attention of the military command, which has ordered an investigation of the zone. I have

requested a thorough investigation for the president. The charges that were published are not very specific, but our report to the public will be specific because we want to clarify any charges of uncontrolled exploitation of Bolivian natural resources, particularly now, when we are undergoing a crisis due to the drop of tin prices. As the president has said, it is our duty to seek other natural resources to be exploited to benefit national production. [End recording] [Excerpt] [La Paz Cadena Panamericana in Spanish 1130 GMT 7 Nov 85 PY] /6662

COMIBOL REORGANIZATION--Planning and Coordination Minister Guillermo Bedregal Gutierrez spoke about the government's new economic policy during a press conference today. He said the following about the decentralization of the Mining Corporation of Bolivia [Comibol]: [Begin Bedregal recording] [in progress] ...we have a realistic view of this matter, therefore the initial proposal of Deputy Reyes is consistent with his ideology. As you know, he belongs to the Communist Party, which I belong to the National Revolutionary Movement [MNR]. [as received] The main thing is whether it is correct to say that the Comibol problem is simply an administrative matter. I ask him, what does he mean by an administrative problem? Because it really is made up of all the problems of the business structure. The administrative problem mainly affects the company's managing circle and attitude towards adopting new technologies to modernize, and towards making the company's economic and financial mechanisms serve its fundamental objectives. The Comibol is not a (?social) or production sort of company: it is an industrial company. [End recording] [Excerpt] [La Paz Cadena Panamericana in Spanish 1700 GMT 6 Nov 85 PY] /6662

FRG HEALTH LOAN--The FRG has granted a DM5 million soft loan to Bolivia for the implementation of health programs in Cochabamba Department, the FRG ambassador has announced. [Summary] [La Paz Cadena Panamericana in Spanish 0000 GMT 8 Nov 85 PY]

IDB TECHNICAL COOPERATION--The IDB has granted a \$1,874,000 loan to Bolivia and Peru for technical cooperation in implementing a joint border development project. The fund will be disbursed to the Bolivian Planning and Coordination Ministry and to the Peruvian Industry, Tourism, and Integration Ministry. [Summary] [La Paz Cadena Panamericana in Spanish 1700 GMT 8 Nov 85 PY] /6662

TAX COLLECTION INCREASE--The national revenue office collected 6 billion Bolivian pesos in October, Roberto Roca Iriarte, chief of this office has reported. This was a record, nearly doubling the collection in September Roca said. [Summary] [La Paz Cadena Panamericana in Spanish 1130 GMT 12 Nov 85 PY] /6662

LECHIN COMMENTS ON TIN OVERSUPPLY--The mineworkers federation believes that when tin prices fall, royalties must also be cut to prevent the collapse of the producers. This belief was sustained by the executive secretary of the mineworkers federation, Juan Lechin Oquendo. [Begin Lechin recording] I believe that we should start accepting the new reality. Unfortunately, there is an oversupply of tin on the market, and the demand for this product did not keep up with the growing pace of production. A measure that could help the tin and other mineral sectors is canceling royalties. If they were canceled, the government would have these dollars available. [end recording] Juan Lechin likewise ruled out the possibility of stockpiling tin because there is presently an oversupply. [Begin Lechin recording] At other times when each producer was allotted a production quota we could stockpile our production, but under the current conditions with an oversupply in the market, this alternative is not valid because it will not yield us more foreign currency, we will need financing, it will cost us money, and the price of our products will increase. I still do not see any other way than to cancel export royalties. [End recording] [Excerpts] [La Paz Cadena Panamerican in Spanish 1130 GMT 5 Nov 85 PY] /6662

CENTRAL BANK RESERVES--Uncommitted foreign currency reserves now deposit in the Central Bank amount to \$200 million, and the inflation rate is below 4 percent. This has been reported by Coordination and Planning Minister Guillermo Bedregal, and Finance Minister Roberto Gisbert. [Summary] [La Paz PRESENCIA in Spanish 1 Nov 85 p 1 PY] /6662

CSO: 3348/175

BRAZIL

POPULATION PROJECTED TO REACH 240 MILLION BY YEAR 2014

Rio de Janeiro O GLOBO in Portuguese 22 Oct 85 p 7

[Text] Recife--Brazil will reach the year 2014 with over 240 million inhabitants, 75.6 percent of them young people, creating a need for 34 million new jobs. The urban population will be 210 million persons, with 28 million living in Greater Sao Paulo and 19 million in Greater Rio de Janeiro. There will be 24 million more high-school students.

The nation's situation 29 years from now was discussed during the weekend by a group of politicians, from several Northeastern states, economists and social researchers in Recife at a meeting called "The Second Brazil" (because by 2014 the population will have doubled), held by the Center for Studies in Policies of Population and Development (CEPPD) of Rio de Janeiro.

The 2 days of meetings were attended by researchers from the World Bank (William MacGreevey) and UNICEF (Patricia Marim and Vera Amilcar Tupiassu), who debated with senators and deputies, as well as [Paperwork Reduction] Minister Paulo Lustosa, the prospects for a country that will double its population. According to the director general of the CEPPD, demographer Manoel Augusto Costa, the center's intention is to inform the authorities about the prospects of such a phenomenon and to begin discussing with them what must be done to administer this population increase.

Costa advocated revision of the process of economic planning, giving priority to longer-run concerns, but with better social results than those of shorter term, as he contends that in coming years social concerns will inevitably prevail over financial concerns.

"We do not believe that the nation should pursue a search for activities that merely raise the GDP [Gross Domestic Product], but that it should pursue a combination of productive activities that assure a greater number of jobs with better living conditions for the people."

He warned, however, that although this is a long-term view, it is necessary to establish emergency policies for the short run.

"Regardless of economic growth, the nation will have to reduce the rate of infant mortality in the Northeast. Moreover, it must give immediate thought to a policy for rationalizing internal migrations, giving priority to activities of the public sector in medium-sized cities, especially for expansion of education, in order to create more employment opportunities for heads of families."

BRAZIL

8 MINISTERS MAY RESIGN BY 14 FEBRUARY TO RUN IN ELECTIONS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Oct 85 p 4

[Text] Brasilia--Eight cabinet ministers of the New Republic who do not have a legislative mandate will have to be replaced by 14 February if they want to be candidates in the 15 November elections next year for the National Constituent Assembly. Another five, who do have legislative mandates, will have to resign by 14 May if they wish to run in the same elections. Governors and mayors who intend to participate in the constituent assembly will have to resign by 14 May. Heads of government agencies, by 14 February.

President Jose Sarney will have to decide by the end of this year or the beginning of next year whether to make the cabinet changes in one step or in two. At least 13 ministers are likely to be candidates in the election for the new Congress, which is to be transformed into a constituent assembly in its first year of operation--1987.

Sarney could take the occasion to carry out thoroughgoing changes in his cabinet before February. Or he could replace his ministers in two steps--February and May --doubling the stress and strain resulting from negotiations, concessions and pressures of all sorts.

There are eight cabinet ministers who do not have legislative mandates and who are likely to want to run in the elections for the constituent assembly: Aureliano Chaves, Antonio Carlos Magalhaes, Roberto Gusmao, Renato Archer, Jose Hugo Castelo Branco, Ronaldo Costa Couto and Aloisio Alves.

Another five cabinet ministers have legislative mandates, but certainly want to be part of the constituent assembly: Fernando Lyra, Carlos Santanna, Pedro Simon, Afonso Camargo and Almir Pazzianotto. Education Minister Marco Maciel, elected senator in 1982, has a mandate running through 31 January 1990.

Many authorities with intentions of running in the constituent assembly elections will also have to resign by 14 February of next year: Marcos Freire, president of the Federal Savings Bank; Mauro Benevides, president of the Bank of the Northeast; Silval Guazelli, president of the Meridional Bank; Paulo Brossard, general counsel to the republic; Francelino Pereira, vice president of the Bank of Brazil; Odacir Klein, director of the Bank of Brazil, Miro Teixeira, secretary general of the Ministry of Administration; Paulo Macarini, superintendent of IAPAS [Institute for the Administration of Social Assistance and Welfare], and many others.

Governors who are thinking of resigning in order to run for the constituent assembly--including the governor of the Federal District--will have to make their decision by 14 May. Otherwise, they will be ineligible. This is also the deadline for mayors who want to run for congress in the 15 November elections.

In one or in two stages, Sarney will soon have the opportunity he did not have upon becoming president: picking his own cabinet. There will certainly be less pressure. Those chosen will have one less preoccupation: they will not have to seek political promotion in order to improve their election chances. The next elections won't be until 1990--unless some presidential hopefuls emerge from among the new ministers.

The military ministers will likely remain in their respective offices, as none of them is a candidate for the constituent assembly. [Foreign Affairs] Minister Olavo Setubal, a declared candidate for governor of Sao Paulo, will have to leave Itamaraty by 14 June, as already provided by the constitution. This is also the deadline for other cabinet ministers who decide to run for a state governorship rather than for the constituent assembly.

The period of 9 months between resignation and elections, for those who do not have legislative mandates, is aimed in the direction of the secretaries of state governments, the "New Christians" of politics, accused by congressmen of all parties of preparing the administrative machinery to assist the election campaign. There is a conviction in congress that, if gone by 14 February, the influence of power will be less intense and there will be less competition for those without the power to hire and fire.

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CSO: 3342/15

BRAZIL

PCB, PC DO B PARTICIPATION IN ELECTIONS EXAMINED

PY191422 Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 Nov 85 p 15

[Article by Emanuel Neri]

[Text] The communist parties (The Brazilian Communist Party, PCB, and the Communist Party of Brazil, PC do B) will not have the chance to participate in municipal elections in all 23 states of the country. Legalized this May after 38 years underground, the PCB and the PC do B have adopted a prudent strategy for today's municipal elections. Although they are organized in almost all the country's capital cities, the communist preferred to support candidates from other parties in the election mainly from the PMDB [Brazilian Democratic Mobilization Party], or to form coalitions, like the one with the PSB [Brazilian Socialist Party] in Rio de Janeiro. The communists are running their own candidates in only a few capitals.

The PCB is running its own candidates in six capitals: Recife, Pernambuco; Bolo Horizonete, Minas Gerais; Curitiba, Parana; Florianopolis, Santa Catarina; Campo Grande, Mato Grosso do Sul; and Rio Branco, Acre. The PCB made coalitions with the PC do B and the MBDB in Vitoria, Espirito Santo; Goiania, Goias; and Natal, Rio Grande do Norte. In Porto Alegre, the PCB struck an alliance with the PMDB and the PFL [Liberal Front Party]; and in Rio de Janeiro, with the PC do B and the PSB. In turn, the PC do B struck an alliance with the PMDB and the PSB in Maceio, Alagoas; and with the PSB and the PTB [Brazilian Labor Party] in Recife, Pernambuco. In the remaining capitals, the PCB and PC do B have just supported candidates from the PMDB, as they did in Sao Paulo, where they supported the candidacy of Fernando Henrique Cardoso.

By testing its electoral strength in only six capitals, the PCB, at least according to public opinion polls, has demonstrated its weakness. Even one of PCB main leaders, Federal Deputy Roberto Freire, 45, who is running for mayor of Recife, is not doing any better. Freire showed massive drawing power in Recife when he ran under the banner of the PMDB in previous elections. This time however, he finds himself in the uncomfortable position along with Bruno Maranhao from the PT [Workers' Party] of trying to avoid running last, in a field of six candidates. Efforts have been made to reverse that situation.

Early in October, for instance, trying to overcome prejudice against the communists, Freire allowed himself to be filmed in his residence, surrounded by his children, while his wife declared her political involvement and her Catholic religion. The deputy also visited the Archbishop of Recife, Dom Jose Cardoso Sobrinho, 57, who, as soon as Freire left, said: "There is no point in common between Christian theology and communist doctrine." Without support from the church, and hurt by the [word indistinct] between the two main candidacies--Jarbas Passarinho from the PSB and Sergio Murilo from the PMDB--the Recife PCB suffered the worst loss in its history: In 1947, it elected no less than 12 of the 25 councilmen elected to the Recife Municipal Chamber.

In the other capitals where the PCB is running, the situation is the same. In Belo Horizonte, Arutana Coberio Terena, 44, is also trying to avoid running last after having been elected municipal councilman for the PMDB in 1982. Rallies in outlying neighborhoods of Belo Horizonte, which are generally communist strongholds in other cities, are avoided by Terena for fear of reactions to his speeches. Engineer Vilson Rosalino da Dilveira, 35, PCB candidate for mayor of Florianopolis, Santa Catarina, is satisfied with the appeal his candidacy has in intellectual and university circles. In Campo Grande, Mato Grosso do Sul, former Captain Euclides de Oliveira, 74, did not clamber onto a single campaign dais. His campaign is reduced to distributing pamphlets at the gates of factories, schools, and bus stops, in addition to the so-called "red gatherings"--sorties by communist militants in peripheral neighborhoods.

As if the shortage of votes were not enough, the PCB in some capitals must put up with the disdain of its PMCB allies who fear that its support might damage their own candidates. In Curitiba, Parana, Marcelo Jugend offered to withdraw his candidacy to make room for Roberto Requiao from the PMDB. The gesture, however, was turned down. Edison de Andrino, who is running for mayor of Florianopolis under the PMDB banner, also refused to accept the votes the communists offered him. He was afraid that the PCB support might erode his electoral bases, mainly among the fishermen, "who still believe that the communists want to close churches and expel priests."

The communists are divided in Sao Luis, Maranhao. After initially supporting the candidacy of Haroldo Saboia from the PMDB, they went in different directions: The PC do B supported the candidacy of Jayme Santana from the PFL, who is the strongest adversary of Gardenia Goncalves from the PDS [Social Democratic Party]; and the PCB sat on the fence. "Haroldo Saboia is playing to the right, in opposition to the New Republic," local PC do B president Joaquin de Oliveira affirms. Similar quarrels broke out in Rio de Janeiro. Journalist Joao Saldanha from the PCB, who is running as second man on the ticket of Marcelo Cerqueira from the PSB, accused the Rio de Janeiro PCB president Hercules Correia of negotiating agreements with candidates from the PMDB and the PTB. Hercules Correia was finally separated. In Porto Alegre, their coalition with the PMDB and PFL did not keep the communists from being ignored in the PMDB candidate's campaign.

Without support from the electorate, rejected by old allies, and betrayed by some of their comrades, the communists still believe that participating in the elections was worth the trouble. "We want to demystify the general idea the people have about the party, and to create strong bases for the Constituent Assembly," affirms engineer Vilson Rosalino da Silveira from Santa Catarina. For former Captain, Euclides de Oliveira, from Campo Grande, who is also from the PCB, the party using the communication media to debate the most controversial questions, such as religion and freedom under Marxist regimes. [as received] "We have overcome prejudice," says Roberto Freire from Pernambuco, who adds: "The candidacy of a communist in a city like Recife contributes to advancing the democratization process."

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CSO: 3342/28

BRAZIL

ROSEANA SARNEY MURAD ON INFLUENCING ROLE IN ADMINISTRATION

Sao Paulo VEJA in Portuguese 26 Jun 85 pp 3-4, 6

[Article by Henrique Jose Alves: "Politics Fascinates Me"]

[Text] Jose Sarney's daughter talks about difficulties encountered by the President and her own experiences at Planalto Palace.

When Jose Sarney assumed the presidency, he called his 32-year-old daughter, Roseana Sarney Murad, to work alongside him in Planalto Palace and assist him in his contacts with politicians. As congressional adviser to the President's Civil Cabinet, Roseana receives congressmen, answers a mountain of letters every day and tries to keep the channels open between Sarney and Maranhao, the base where he started his political career. Last week, at the first interview he has given to the press, President Sarney emotionally defended his daughter's appointment when he was asked about relatives in government posts. Roseana's husband, Jorge Murad, a director of several companies, also works in the Palace as the President's private secretary. According to Sarney, his daughter took up residence in the Palace "to lend assistance to a father in danger."

Roseana faces the challenges with dedication. With an office on the fourth floor of the Palace, in the room occupied by Minister Delfim Netto in the last administration, she spends a minimum of ten hours a day of hard behind-the-scenes work. She was asked to work and she works. It might be added that Roseana, always dressed in businesslike fashion, has carried the same moderation to her work that she shows in her private life. She does not normally go to parties or other entertainment to which her position gives her access, and she even gives a modest impression in her contacts with politicians. Her marked Maranhao accent sets her apart from other presidential advisers named to the post largely because they were relatives. According to politicians closest to the Sarney family, however, she influences the President and has abilities that could enable her to follow in the tradition of Alzira Vargas, who, as secretary to her father, Getulio Vargas, became one of the most powerful persons in the country. Mother

of a five-year-old girl named Rafaela, Roseana plans to become even closer to Sarney within the next few days. She will move out of her rented home in Lago Sul, where she now resides, to live with her parents at Alvorada Palace.

[Question] Last week on television, the whole country saw your face grow tense as the President rebuffed the accusation that he was promoting nepotism by appointing his daughter and son-in-law to jobs at Planalto Palace. How do you answer this criticism?

[Answer] I find it groundless and unfair. In the first place, it is not as if I just now became a public official and started to follow my father's political life closely. I have been in public service for 11 years. I worked at Novacap for five years, the firm that built Brasilia, then at the Social and Economic Planning Institute in the Planning Secretariat for several years and then in the Senate. I was simply needed at the Palace because it did not have its own staff of officials for confidential advisory duties. This is not nepotism. Nepotism is family government.

[Question] Do you give the same answer to explain your husband's case, who has been appointed the President's private secretary?

[Answer] In his case, it is not at all a matter of nepotism. Under the last administration, Jorge was removed from his position as director of the Federal Savings Bank solely because he was Jose Sarney's son-in-law. Should he be forbidden to work now for the same reason?

[Question] Do you like politics or are you just trying to stay at your father's side?

[Answer] Politics fascinates me. Ever since I was a student at the Maranhao Secondary School, I have been interested in politics. I was elected secretary of the student government there. I took part in my father's campaign for the governorship of Maranhao at the age of 12. In adolescence, I learned more and more at lectures and in political experience at home. I was educated in social sciences and majored in politics and became involved very early with poverty concerns and the need to protest social injustices.

[Question] Since last year's presidential campaign, you have become a channel of communications between your father and political figures, especially leftist politicians. How did you come to play this role in such a short period of time?

[Answer] I always spent a lot of time at Congress since I came to live in Brasilia and, in spite of the fact that my father was in the National Renewal Alliance (ARENA) and later the Social Democratic Party (PDS), I had a good relationship with the opposition. Of course,

when my father was in the PDS, I felt some constraints in broadening these contacts. When he broke with the PDS and joined the forces of Tancredo Neves, I jumped in head first and what had only been a good relationship became a serious effort.

[Question] Would you say that you have things in common with the left?

[Answer] I do not consider myself a leftist, but I do have things in common. In politics, I am primarily concerned with social issues. I think I have this in common. But there is an ideological difference between us, and I have never joined any party. However, I have begun to exchange ideas with all elements on the left and out of this a serious, open dialog has emerged. I feel that leftist politicians trust me, just as I trust them.

[Question] How did this dialog begin?

[Answer] At the Liberal Front, but always behind the scenes. I am not a center-stage type: I stay behind the scenes. Incidentally, a very strange thing happened there. One day, one of the 8 October Revolutionary Movement's (MR-8) leaders approached me and hinted, "We need women in the Movement." He caught me by surprise.

[Question] Did you have problems as the daughter of the PDS leader when you talked to your father's adversaries in the opposition?

[Answer] Well, when I went to a Brazilian Democratic Movement Party (PMDB) meeting in Maranhao for the first time, I felt like everyone was a little suspicious at my being there. But what could I do? I sat down and with great patience heard out all the criticisms of my father's positions as head of the PDS. Then I argued with them and they heard me out. A good understanding grew out of this mutual toleration.

[Question] Were there conflicts with your father while he was head of the PDS?

[Answer] Yes, at times. There was a time when we were pretty far apart. He always told me that some day I would realize the sacrifices he was making for the country as head of the governing party. But it must be said that he let me speak my mind freely and never tried to make up my mind for me.

[Question] Many politicians would rather see you in the Civil Cabinet instead of Minister Jose Hugo Castelo Branco. It is said that your presence in the Cabinet as an advisor has contributed to downgrading the office of Castelo Branco, who was appointed by Tancredo Neves instead of your father.

[Answer] Not at all. I am part of a team headed by the minister. Our objective is identical: to further Jose Sarney's administration. We are in the same boat, fighting for the same objective.

[Question] Do you have any difficulties with some politicians because you are a woman?

[Answer] In my case, I think people tend to take this into consideration to begin with. I had some trouble, but I overcame the problems that came up. A woman has to try harder than a man does for her competence to be recognized.

[Question] Do you think you are helping your father govern?

[Answer] My contacts with congressmen help the President to know what they want and are thinking and this is important. For instance, prior to the vote at the Electoral College, I followed every aspect of the tangle of votes from the moment they seemed to be materializing. It got to the point where I was reading tens of newspapers a day that were coming in from every state in order to keep up with what politicians outside Brasilia were saying. I want to do this same kind of research for the government in order to make running evaluations of the direction in which political winds are blowing.

[Question] One of the things which most frightens Planalto Palace at the moment is rebellion in the Congress. Just knowing which way a given clique of congressmen is leaning is not enough to resolve discontent.

[Answer] Of course it isn't enough, because until now rebellion has been a supernatural phenomenon. After all, for the first time in 21 years, congressmen are enjoying freedom in their own Congress. The Congress is having a honeymoon with democracy. But it is also evident that congressmen must understand that the Sarney administration cannot pay off the country's social debts in three months or even in four years.

[Question] What is your professional relationship with your father like?

[Answer] Sometimes he tells me things he wouldn't tell others. I also tell him whatever I want, with a freedom that other aides would not have. After the press interview last week, for instance, I analyzed every reply he made and told him which ones were well done and which ones were poorly done. Incidentally, I think he could have given a better explanation of why he decided to give me a job at the Palace. He got off on an emotional tangent and didn't talk about my professional experience.

[Question] It has been said that the President is influenced by his family on political issues. Is this true?

[Answer] Before making any important political decisions, he consults with the family and hears us out. Even if he didn't consult us, we would tell him what we think because we are very nosy at home. But he makes the final decision.

[Question] To change the subject to Tancredo Neves' death and your father's unexpected rise to power, President Sarney has faced a highly demanding work schedule. How has this changed his life?

[Answer] He has practically no time for the family any more. He has had to give up many things he liked, like listening to stories or travelling to Maranhao, for example. A granddaughter was recently born to him, the daughter of my brother Fernando, who lives in Sao Luis, and my father could not go see her. But in thinking it through, it could not be otherwise. The legacy that fell to him was too heavy.

[Question] Your father has been called vacillating and timid. How do you take this criticism?

[Answer] This is unfair. It must be kept in mind that he not only has responsibility for making decisions constantly, but also for making the right decisions. He knows very well what a hasty decision could cost. So he only makes decisions when he is certain which option is best. This is how he likes to work, even though it is a little slower. They used to say that my father was too slow. Now they say he goes at a run. He has tried to find the right pace. The results are evident. There are, for example, the institution of direct presidential elections, direct elections for capital mayors, and to the Constituent Assembly, not to mention the drop in the inflation rate and agricultural reform, which he instituted.

[Question] What about the accusations that the Sarney administration is always at odds with itself, that there is no unified purpose and that this is affecting the functioning of the government?

[Answer] There are differences, but they do not affect the functioning of the government. The fact is that the government has been put together out of different political movements and each one has its own solutions to the country's problems. This is basically healthy for the government. It is pluralistic rather than monolithic. In addition, it is good that the government has several options within the administration for approaching national problems. It is up to the President of the Republic to decide which option is the best under his program of government. No one denies that there are differences among the ministers.

[Question] Following Tancredo Neves' example, your father often attends Mass and receives communion. Is the Sarney family quite religious?

[Answer] We are faithful to our religion at home. We go to Mass every week. But I disagree with groups in the Catholic Church who refuse their rightful position alongside the oppressed.

[Question] With your arrival at Planalto Palace, have Brazilian feminists acquired a representative close to power?

[Answer] Equal rights for men and women are an issue today in all civilized countries. It is important that this principle be extended to all areas of human activity, especially professional areas, where much inequality still exists. This is not a vindication of feminists. Any person who respects human rights would agree with this.

[Question] What is it like for you as the daughter of the President?

[Answer] It's like living in a display window, exposed to public curiosity. It is very restrictive. You do something and it gets printed in a newspaper. You say something and it may be repeated in the press the next day.

[Question] You have become a personality in the society pages. Does this fit your temperament?

[Answer] Of course, this didn't happen at my initiative. I don't go to parties and I don't like to be on the spot like that. I have a small number of close friends and I make every effort not to change my life style. I can say that I struggle every day to preserve my privacy. A few weeks ago, for instance, I chose to celebrate my anniversary with just a few close friends. Jorge is like this, too.

[Question] Do you and your husband talk a lot about politics?

[Answer] Oh, at home everything turns on politics. Even my daughter Rafaela has caught the spirit. The other day I reprimanded her and she turned to me and said, "You are not in charge here. The President is my grandfather."

[Question] What led you and your husband to live with the President and Dona Marly in Alvorada Palace?

[Answer] It will be good for Rafaela, because my mother will be there while I am at work. Jorge and I spend all day every day at Planalto Palace. I leave home every morning at 8:30 and only get home at nine in the evening. So, my mother takes care of the home front.

[Question] You are the daughter of a politician who served in the governing party as a leader during the time of the authoritarian regime. What lessons did you learn from that experience?

[Answer] He served in the governing party, but never attained power. At that time, congressmen had no power at all. I saw at first hand the errors that were made and the gap that was being made between the government and society. I came away with the conviction that there was only one way for Brazil to get out of the crisis it was in: democracy, liberty and tolerance. This is why I was always in favor of legalizing the Communist parties. The people cannot develop without broad ideological freedom. Every current of thought must be free to express itself and struggle to attain power. There is no other acceptable way.

[Question] What do you say to the congressmen who invite you to speak?

[Answer] I try to show that the government needs their support to make any progress on the reforms that need to be made. Usually, they invite me to speak about the political situation in their state. Since the Democratic Alliance consists of diverse elements from every persuasion, they want to know how things are going to be now. Their greatest concern is the accommodation of political groups in each state and the consequences of this accommodation for voting trends.

[Question] President Sarney does not have the support that Tancredo Neves had and is governing with an administration that he did not put together himself. Do you think he will be able to overcome these obstacles?

[Answer] I look on this struggle of my father's with pride, too. It is not easy to come from the interior of Maranhao, with no means or power, and rise to the highest office in the Republic on one's own effort. I am very proud of him and I guarantee that as long as he is in the presidency, he will strive to know what the people are thinking and use their thoughts as raw material for his work. He will do this with commitment. This is why he has worked so hard to put together a national pact, which is a simple thing: a consensus of political and social forces on the measures necessary to get Brazil out of its current plight.

[Question] Do you have personal political plans?

[Answer] I would like to run for the Constituent Assembly and be a part of these changing times for Brazil. But I can't because the Constitution prohibits my candidacy, since I am the President's daughter. We shall see what the future holds. Politics greatly appeals to me and I would like to participate in it not only as Jose Sarney's daughter. I would like to have my own political sphere. I would only offer myself to the voters with what I could personally contribute in the way of ideas and experience.

[Question] Do you miss any of the things you had before you became the President's daughter?

[Answer] This is going to seem strange, but I miss some of the simple things, like a restful talk with friends at a little neighborhood bar.

8844/9738

CSO: 8142/0135

BRAZIL

PROSPECTS FOR INCREASED TRADE WITH ARAB WORLD DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Oct 85 p 29

[Text] The share of Brazilian products in the Arab market is only 1.1 percent, but there is a great opportunity for an increase, estimated at between 25 and 30 percent annually, if Brazilian exporters work more aggressively in the area. This is reported by the president of the Arab-Brazilian Chamber of Commerce, Lourenço Chohfi, who revealed during a press conference that last year the Arab countries imported merchandise worth \$120 billion, of which Brazil's sales were only \$1.4 billion. During the same period, Arabs sold to Brazil the equivalent of \$3.8 billion, almost all of it represented by petroleum.

Chohfi explained that in the period between 1975 and 1983, due to the high price of oil, Brazil accumulated a trade deficit with the Arabs of \$45.2 billion. And although oil purchases have been reduced recently, while exports have increased, equilibrium in the trade account can be achieved only in the intermediate or long run. Brazil's trade deficit is most pronounced with Iraq and Saudi Arabia; its largest trading partners in that region are Iraq, Saudi Arabia, Egypt, Algeria, Qatar and Kuwait.

"In the short run, we must balance accounts by exporting more and more," the chamber president said, stressing that "one of the most viable alternatives for Brazil to reach the Arab world is the consortium of industrial complementarity." He added that upon establishment of joint ventures, where the Brazilian party provides the technology and raw materials and the Arab party supplies the capital, great opportunities would be opened, not only in the market where the investment was made, but also in the other Arab countries. He also pointed out that the Brazilian habit of investing in expansion of traditional markets "may not be the most desirable, inasmuch as protectionism is a growing movement in the advanced countries."

8834
CSO: 3342/15

BRAZIL

BRIEFS

SCIENCE AGREEMENT WITH ROK--The Brazilian Science and Technology Deputy Minister and his ROK counterpart have signed a science and technology agreement which covers, among other things, the fields of biotechnology as applied to health and agriculture; informatics; microelectronics; and the exploitation, improvement, and use of mineral resources. [Summary] [brasilia Domestic Service in Portuguese 2100 GMT 8 Nov 85 PY] /6662

TRADE WITH ARGENTINA--Greater trade between Brazil and Argentina was the suggestion made yesterday by the secretary general of the Argentine trade office in Brazil, Jorge Luiz Riccombeni, to reduce Brazil's favorable balance in the trade between the two countries. Riccombeni explained that 25 goods exported by Argentina are responsible for 82.6 percent of total exports from Argentina to Brazil. He said, however, that the government of his country is trying to diversify these sales. In a speech given at the Rio International seminar held in the Copacabana Palace Hotel, Riccombeni also criticized the Foreign Trade Department of the Bank of Brazil (CACEX), with which his office has encountered difficulties in getting approval of export licenses. [Text] [Rio de Janeiro O GLOBO in Portuguese 22 Oct 25 p 18] 8834

1985 INDUSTRIAL PRODUCTION RISE--Rio de Janeiro--Brazil's industrial production is likely to grow 7.2 percent this year, with an increase of 10.8 percent in mining and 7 percent in manufacturing, according to a study made by the National Confederation of Industries (CNI) based upon data about the performance of Brazil's economy through September. The CNI points out that, with growth of 13.24 percent in August, the durable consumer goods sector seems to be indicating that the problems faced in the second quarter of this year were overcome. The sector has been helped by the general increase in real wages, as early estimates point to a real increase of 19 percent in total wages for this year. As for inflation, the CNI believes that in the last quarter it is likely to be less than the average of 10 percent [monthly] reported through September, with a particularly sharp drop of monthly rates expected in this quarter. [Excerpt] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Oct 85 p 26] 8834

GSO: 3342/15

CHILE

NEW RECTOR OF UCV ON STUDENT VIOLENCE, PARTICIPATION

Santiago ERCILLA in Spanish 25 Sep 85 pp 11-12

[Interview with the rector of the Catholic University of Valparaiso (UCV), Juan Enrique Froemel; date and place not specified]

[Text] They say that the UCV is like an unbroken horse. But Juan Enrique Froemel does not seem afraid of being its new rider.

Just 2 weeks after assuming his post, the man who used to be undersecretary of education and secretary general of the Federico Santa Maria University smiles as he looks out over the campus he is in charge of.

With an M.A. and a PhD from the University of Chicago, he describes himself as an education researcher. He now seems to have a difficult experiment on his hands.

Regarded by many as the country's most violent university, the UCV accepted the resignation of Rector Raul Bertelsen and began searching for a replacement. The Church and the government held many talks, eventually agreeing on the name of Juan Enrique Froemel.

[Question] Are you the man on whom the Church and the government reached a consensus?

[Answer] I suppose so! (laughs) I was part of the government but, on the other hand, I'm a very clear, very outspoken supporter of the Church. The Church, I think, feels that if such support exists, it can expect the university's administration to be quite close to what it thinks it ought to be. Beyond that, however, I think that it would be supremely arrogant to regard oneself as the consensus choice.

[Question] And how do you think the university ought to be run?

[Answer] First of all, not with one-man authoritarianism. I think that more than other institutions a university is a community, and this implies that in

one way or another its members ought to be involved in running it. One of the things that we are trying to do is create the most efficient possible avenues of participation and communication.

We have a quite broad statute in my opinion. All of our university's intermediate authorities are selected by their peers, and the rest of the university community is represented on and has a commitment to our council. The proof is already there to see: the decision to suspend activities was made with input from the Superior Council.

[Question] But isn't suspending activities like burying your head in the sand?

[Answer] No. I might agree that the decision implies letting things slide. But what we were looking at was that all of the universities in Valparaiso were closed except Federico Santa Maria. We could somehow keep our students under control; the federation does have a certain capacity in that regard. But there was a risk because we could hardly control students who are not our own and who, ultimately, do not observe the standards that I feel students at a Catholic University ought to.

Moreover, I had just taken over as rector, which implies putting a team together. We felt that what we had to do was work out a plan that would enable us to get through the second semester and establish some sort of internal coexistence.

[Question] You stated that the UCV is not a particularly violent school, but rather that the disturbances there are more conspicuous because it is there for everyone to see. Yet, what do you have to say about the fact that on a single day of protest in March 1984, 10 million pesos in damage was caused inside the university? This is double the amount of damage from all university protests in 1983.

[Answer] Are there such accurate statistics? (laughs) Basically, I think it confirms what I said: that this is the "Quinta Vergara." Protests here are more visible than elsewhere. If they want to create the impression that there is unrest, they'll do it in the best, the most visible spot, and that is the UCV. I don't have the slightest doubt about it.

[Question] Many people have the impression that our university authorities are more concerned about establishing rules and regulations and ordering closures than tackling the underlying problem, which is achieving academic excellence...

[Answer] I think that what you are saying is absolutely true, and I think it's tragic. On the other hand, however, university authorities have a responsibility not to punish students but to find a way out of a situation of internal violence. I'm not that sure that the answer is or is not disciplinary regulations.

[Question] Might not the answer be to get rid of the violent elements through demanding academic standards?

[Answer] As an educator and an education specialist, I am somewhat reluctant to use academic means to resolve disciplinary problems. I think that in a way we would be taking after the violence-mongers, who are using inappropriate methods to express their dissatisfaction. I think that if the authorities are calling for upright behavior, they have to behave likewise. Now then, all students who fail to meet minimum standards and have to leave the university, must, of course, leave.

[Question] What role do you think that university authorities have to play in dealing with violence at their schools?

[Answer] I think that there is an answer to this situation, but it should not be just the rector who denounces violent elements. I do not believe in using fire to fight fire, because we would be getting into a situation that would be very hard to get out of. I think that in one way or another the entire university community has to realize that by denouncing them roundly we can isolate them. Once we have achieved this, they will no longer have the audience they want.

[Question] Could the fact that your predecessor was not a rector-delegate and you are be interpreted as a step backwards in the process of normalizing university life?

[Answer] The problem is not whether someone is a rector-delegate or not, and I think that most of the professors at the university realize this. The point is who is the man behind the title. I do not interpret it as a step backwards, mainly because I have a clear idea about how the university ought to be run. At this point (I've been here just 15 days, which is much too soon to draw conclusions), I think that there is a very good chance that this school can be run independently.

[Question] What sort of reception has your appointment gotten?

[Answer] I think that both the faculty and the students see it as a chance to reach a consensus. I've had long talks with both the Students Federation and the Trade Union Association of Professors. I would say that they are taking a sort of wait-and-see approach, but their attitude is more positive than negative. They're not going to give me a blank check, but I'm not going to give them one either.

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CHILE

U.S. CONSERVATIVES SEEN ABANDONING DEFENSE OF PINOCHET

Santiago CAUCE in Spanish 1 Oct 85 pp 17-18

[Article by Miranda Donovan]

[Text] Washington (special to CAUCE)--Conservatives also grow disillusioned. And oddly enough, it happens when things fail to change. This apparent contradiction is borne out here every day. It involves Chilean Gen Augusto Pinochet, who over 12 years has managed to become one of the most nettlesome thorns in the side of the United States' image-minded foreign policy.

When Reagan administration strategists formulate policy on questions as diverse as Afghanistan, Poland, Iran, Cuba or Nicaragua, they realize they have another front to fight on. The administration's views will be subjected to attacks that it has so far found hard to rebuff. The image of the Chilean dictator has cast a shadow over the White House's up-front defense of democracy in the world.

The Road to Disillusionment

In recent years Pinochet has lost the solid support that American conservatives used to give him. This change of attitude did not become obvious until a short while ago. Although their public statements were not enthusiastic, conservatives avoided any criticism that might jeopardize the Chilean dictatorship. One reason was that liberals were peppering their attacks on Reagan's foreign policy with continual references to the abuses committed by the Chilean dictatorship. Things are different now.

We have not yet gotten to the point where the State Department is standing behind the most caustic criticism. Yet well-known figures in President Reagan's inner circle are no longer remaining silent.

Chilean Ambassador Hernan Errazuriz has been forced to carefully go over his short-list of friends here. Fewer and fewer of them are reliable. At the governmental level, the responses are noticeably evasive. Gen Vernon Walters has become a virtual stranger since he took over as the American representative to the United Nations. He still has good relations with the Chilean military, but not good enough for public statements.

Jean Kirkpatrick, who was Walter's predecessor at the UN, had ceased to be reliable several months before leaving the world body, and colleagues who enjoy her total confidence, such as Mark Falcoff, have haughtily gone over to the side of Pinochet's hard-line opponents.

A Painful Defection

Falcoff's desertion was a serious blow to Ambassador Errazuriz. First came his speech before the House Subcommittee on Hemispheric Affairs. The ambassador thought that Falcoff would put up a spirited defense of General Pinochet and his government. He was in for a painful surprise.

But that was not all. A serious Chile scholar, the American political scientist then published a solid analysis of our country's situation in the Heritage Foundation's POLICY REVIEW. Under the title "The Coming Crisis in Chile. Pinochet Is Playing into the Communists' Hands," Falcoff let loose with some heavy ammunition.

He asserts, for example: "A strange symmetry has developed between the communists and Pinochet's regime. Each points to the other to explain their conduct and are not at all interested in an orderly move towards democracy, in which the forces they represent would be in a definite minority."

He also criticizes how U.S. foreign policy has dealt with the "Chilean case." He contends that "the United States has not formulated a clear-cut policy for Chile's future, except to denounce human rights violations and voice the hope that the country will somehow find its way back to democracy without Pinochet. Clearly, we do not want another Nicaragua, where a dictator remained in power for so long that he disabled all alternative political forces except one, the one that he (and we) feared most."

He then looks at the reasons why Pinochet still flatly rejects a dialogue. He has a simple explanation for Pinochet's failure to promulgate the statute legalizing political parties: "As long as there is no real political party activity in Chile, the Democratic Alliance will be run by old figures whose political careers antedate 1973. Thus, there will be no opportunity for a new generation of leaders to emerge."

Finally, Falcoff takes on one of the arguments that has helped the Chilean dictator the most. "The fact that Pinochet claims to be the only alternative to communism is no reason for us to accept his argument as valid. Such dichotomies serve to solidify his rule in the short run, but they are artificial and work against other Chilean political aims, including, incidentally, the emergence of a serious conservative option."

And to Falcoff, that hurts.

CHILE

WOMEN POLLED ON POLITICAL ATTITUDES, ACTIVITIES

Santiago QUE PASA in Spanish 26 Sep 85 pp 12-14

[Article by Catalina Correa and M. Ester Roblero]

[Text] Historians will give due credit to the prominent role that women played in politics during the Popular Unity (UP) government. Their marches, the "pot-banging" and the clever slogans that they chanted at rallies bear witness to the bravery and resolve they evinced more than a decade ago. Today we are seeing a political battlefield that is virtually devoid of women. Quiet despair, approval or bafflement? Except for sporadic concerted action or isolated, individual statements, we could well say that the women's political movement is asleep.

Considering that there are almost 4 million women over the age of 18 in Chile (there are 100,000 less men over that age) who account for more than half of the country's voters, QUE PASA wanted to find out what they think of the present and the future, what concerns them and what issues would mobilize them. For the most part, their answers reflect apathy, misinformation and pessimism. Although some of them admit that they are very interested in the question, they feel that their opinions are "irrelevant" and "matter to no one." Are they conveying this feeling to their children?

"Politics Is Impractical"

"I was politically involved at one time," recalls 66-year old J.R.V., a seamstress with six children. "After the '11th' [the coup] I don't get involved in anything. I lost confidence in the parties." "Politics has shown itself to be 'dirty' in Chile; everybody is looking out for their own interests. This is why I don't believe in it," says 33-year old T.A.G. Like these two women, many others hold political parties responsible for the country's failures. Very few see them as groups in which they can fulfill a desire to serve the public. "The current ideological movements base their campaigns on promises, promises, promises. Genuine, urgent needs are never addressed. In this sense politics is impractical," asserts 29-year old P.V.J.

Relations between Church and State are an issue on which women offer a variety of views. Those who offer an in-depth analysis explain: "It's a shame that

the Chilean Church has gotten mixed up in politics. But I'm a Catholic first and foremost, and if that's what the bishops have decided, I'll go along with it (Gabriela M., 43, 3 children). "Everyone respects Cardinal Fresno and knows that he wants the best for the country. But I think that the 'accord' is going to go nowhere because, deep down, the politicians don't want to come to terms" (Sara N., 36, secretary).

"We Are Asking Only for Peace in the Streets"

The responses of the women polled reveal that what women are most worried about today is violence and the lack of peace in the streets. "I have never been in complete agreement with this government," says Rosa M.B., a 46-year old married woman. "I always said that the same thing that happened with Franco in Spain was going to happen here too...but I didn't protest because I could sleep easily. I knew that my children would come back from the university 'in one piece.' Who can guarantee me that now?" Another response: "The more unemployment and repression, the more disorders. It's unbelievable for something like this to be happening under a government that has only peace in the streets to offer." Some women are confident that the violence will be halted in time. "The president said that he would apply a heavy hand, and I think he will because the only thing we are asking for is peace in the streets."

Where there is a consensus is on the economy: the future looks bleak to women. "Salaries are not going up, and the price of everything is skyrocketing. My husband and I are professionals and we are poorer every day. I'm losing hope. I want to leave the country," says 27-year old Consuelo C.

Memories of the UP regime calm their spirits somewhat, but less than one would think. "Things were worse. There was nothing to buy, and you spent entire days on line. But that's no excuse...I'm tired of them making this comparison so that we'll keep quiet," asserts 40-year ol B.M. "I wouldn't want to go back to the days of UP for anything in the world, of course. We suffered a great deal. But I'm suffering a lot now too when my money doesn't go far enough," explains S.L.K., 29.

"Who Does Protesting Help?"

Taking to the streets to protest is a remote option for the overwhelming majority of women. "There are guns out there," explains 30-year old P.D.V.; "if they nab you protesting, they'll say that you belong to MIR [Movement of the Revolutionary Left] and who knows what they might do to you. During the UP era all of us in the marches knew each other's faces. Things are so topsy-turvy now that you don't know who's on your side. That's why I don't like to talk about politics with anyone outside the family. If I say something and then they were to take reprisals against my children, it would be awful," explains Isabel A., 54.

Another reason why women do not take to the streets en masse to protest is that they do not really know what good it would do, as they themselves explain: "If there were an alternative, if you could say 'we want this, not

that,' maybe I would take a clearer stand. But who would protesting now help?" asks P.V.J., an architect.

Nevertheless, most of the women surveyed say that there are several scenarios in which they would risk all: "If the schools were nationalized and the government told me how my children had to be educated," "if the government angrily cracked down on priests and persecuted the Church," "if abortion and divorce were legalized," "if the fields [los campos] were nationalized or if people's savings were endangered." Then we would see angry women on the streets.

What Political Measures Would You Like to See Taken in the Near Future?

Heliette Saint-Jean, psychologist, professor in the Department of Medicine at the University of Chile:

"Broader avenues for participation at all levels, to get more reliable information on the basic needs of individuals. I see this as a priority goal from my perspective as a professional."

Consuelo Fernandez, owner of the Harabel boutique:

"The government should take every measure that leads to reconciliation, unites people and leads Chileans peacefully towards full democracy."

Veronica Baez, president of the Midwives Association:

"The government should take every measure to guarantee all citizens equal access to health care, to end the states of emergency and to guarantee freedom of expression and the election of authorities through universal suffrage and with voter lists."

Adriana Fernandez, stockbroker:

"Chile's future is to be found along the avenues of the 1980 Constitution, and the present depends on every Chilean. We have to do the work ourselves, all of us, and not rely anymore on the Armed Forces, which have done enough already. We should look back into our history because it contains examples of lofty sacrifices. I have my small business, based on the encyclical 'Laborem Exercens,' and my country, and I think that this is my way of getting involved in politics for the great Chile of the future."

Jimena Valdes, sociologist, assistant director of the Center for Women's Studies:

"Fruit growing is one of the most important export areas, and women mostly from rural and suburban areas are employed in it. Political measures ought to be taken to provide them with fairer pay, social security and day-care centers."

Maria Luisa Val, principal at the La Dehesa Kindergarten:

"The government should pursue a housing policy that would lead to a city with a healthy mix. Every time that lots are subdivided, room should be made for low-income people. We should not think just about ecology and trees; we should pay attention to people too. As far as education is concerned, the budget should be tripled to do away with the half-time schooling for the neediest children, to make more textbooks available and to improve teacher training. In other words, measures that will put an end to mental underdevelopment."

The Women Speak: What Will the Consequences of Ending the State of Siege Be?

<u>Result</u>	<u>Men</u>	<u>Women</u>
Political opening	30,3 (%)	30.2
More violence	36.0	50.9
Renewed protests	45.7	52.2
Freedom of the press	36.2	29.7
Union unrest	25.1	23.5
Political party activity	18.8	16.3
Government-opposition dialogue	27.7	29.7
An end to peace in the streets	19.5	30.2
Don't know	2.4	1.6
No answer	3.2	1.8

Source: DIAGNOS, June 1985

A Stabilizing Role

Women came on the Chilean political scene around the turn of the century. Their struggle initially centered on securing the right to vote. Women cast their first votes in municipal elections in 1935. The Movement for the Emancipation of Chilean Women emerged to secure broader rights in public life. During this period the leadership of the women's movement shifted from an intellectual and social elite to a new generation of professional women. The Chilean Women's Party was born in 1946, and Maria de la Cruz emerged as its key figure. On 14 January 1949 President Gabriel Gonzalez Videla gave women the right to vote. Their influence at the ballot box has been felt on two occasions. First, Carlos Ibanez scored a crushing victory with the help of strong backing from women; and then, during the UP government, the powerful women's movement was the architect of the "battle of the pots and pans." Their unity was unquestionably a factor in the decision to establish the current regime. In the book "Three Essays on Chilean Women" historian Lucia Santa Cruz notes: "The involvement of women in politics tends to be a major stabilizing factor, inasmuch as they have given tangible signs that they do not believe in utopias. Their desire to have peace in the home and to preserve freedom is unquestionably as important as or more important than the availability of basic goods."

8743

CS0: 3348/86

CHILE

SUPERINTENDENT OF BANKING ON DOMESTIC DEBT, STRICT CONTROLS

Santiago ERCILLA in Spanish 25 Sep 85 pp 15-18

[Interview with the superintendent of banks and financial institutions, Guillermo Ramirez Villardel by Andres Adler; date and place not specified]

[Text] He is the first career official to head the Superintendency of Banks and Financial Institutions; he is also the second youngest superintendent, as only his immediate predecessor and the current finance minister was his junior. A slow and careful speaker who gauges the exact import of each of his assertions, 38-year old Guillermo Ramirez, who is married and received his degree in business administration from the University of Chile and his master's in economics from Yale, has held the reins of a key institution for the nation's economy since last February.

Grassroots capitalism [capitalismo popular], the normalization of the intervened banks, the reprivatization of enterprises connected with these banks, a "case by case" approach to the domestic debt problem, and strict monitoring of the sector are some of the issues that are placed on Superintendent Ramirez's desk every day. He discussed these and other matters in the following exclusive interview with ERCILLA.

[Question] What is the real status today of the domestic debt?

[Answer] The authorities made quite an effort to reschedule debts in 1983 and 1984. I feel that in particular a group of specific enterprises have overborrowed, and in this regard the economic authorities have ruled that the debtors can come to terms with their creditors on a case by case basis.

[Question] Labor organizations have recently voiced a number of demands. How do you feel about them?

[Answer] I don't think it's up to the superintendent to analyze such demands.

[Question] But what, in general, is your position?

[Answer] The country has a heavy foreign debt, which has been rescheduled, not reduced. So, the country has to get used to operating with relatively high debt levels for a more or less lengthy period of time. Arrangements were made to give borrowers a new lease on life, but by rescheduling, not eliminating their debts, because the country is not in a position to finance a cutback in debts that large, except in the case of reliable companies in which the financing or the debt is excessive and the debt-capital ratio has to be improved. To this end the authorities have designed a legal mechanism whose purpose is precisely to turn debt into capital pursuant to the agreements that the borrowers reach with their creditors.

[Question] What is the nature of the law that will allow banks to capitalize the debts contracted by the production sector?

[Answer] The experience of recent years has shown that in some of their pacts debtors and creditors reached the conclusion that part of the debt had to be capitalized. The creditors, who were mainly banks, often could not do so because it is not allowed under the General Bank Act. What the law does, in essence, is to remove this legal impediment under special circumstances and for a very specific period of time, so that the debts can be capitalized, but it does not dictate or promote such capitalizations.

[Question] Can you project what sort of scope the new law will have?

[Answer] A projection is not possible for the time being. We do know, however, that a series of companies need a realignment of their debt-capital ratio, and I think that the borrowers and creditors themselves will have to draw their own conclusions, not the authorities.

[Question] Some time ago the Superintendency set up a commission, chaired by the bank intendant, to come up with prescriptions for solving the debt problem. Are the recently disclosed prescriptions the work of the commission?

[Answer] Of course. The fact is that for quite some time, in particular when the current finance minister, Hernan Buchi, was bank superintendent, the government wanted some public agency to fill the vacuum, wanted someone to act as a catalyst in bridging the gap between debtors and creditors and get them to come to terms through some sort of mechanism. The mission was assigned to the bank intendant in this case-by-case approach.

[Question] What is the role of the bank intendant in this context?

[Answer] To smooth out the rough edges between debtors and creditors and to make them see that failure to come to terms could cost the banks and the country even more dearly...

[Question] This is not always an easy task...

[Answer] Right, because in this business of debt agreements we have to realize that breakdowns or frictions often arise. The Superintendency's role

has been to try and smooth out these rough edges, act as something of a mediator and revive contacts that had already been given up on. I think that things are going relatively well. But this in no way can replace the case-by-case settlements between debtors and creditors, because it would be unrealistic to assume that the Superintendency can intervene in every case. I would add that the intervened banks, and in particular the Bank of Chile, have been playing an increasingly prominent role in the understanding between debtors and creditors.

Grassroots Capitalism

[Question] What is the philosophy of grassroots capitalism?

[Answer] It started as an attempt to normalize the assets of the major financial institutions that had been intervened, especially the Banks of Chile and Santiago. In the case of the banks, we saw that the general mechanisms the government developed in 1983 and 1984 to make the banks more solvent, especially the debt rescheduling and the sale of high-risk debts to the Central Bank, were not enough. We then tried to reconcile this with providing a much more stable private ownership for these companies, which are of vital importance to the nation. The reason is that one of the government's clear-cut goals is to maintain private ownership of businesses and, in particular, the banks.

This is the philosophy behind grassroots capitalism: to restore solvency and then to broaden the ownership base and keep it in the private sector.

[Question] Why only these two banks, since others had been intervened as well?

[Answer] We have not focused just on those two banks. We are also trying to broaden the ownership of two major pension fund management companies.

[Question] But why aren't you broadening your efforts among banks?

[Answer] From the outset we saw clearly that in the case of the small and medium-sized banks that had been intervened (Concepcion, Colocadora and Internacional) we had to find a way for them to have direct negotiations with certain investors.

[Question] Is the term "grassroots capitalism" the most appropriate one?

[Answer] The law does not stipulate a name. I think that the name "grassroots capitalism" arose after the law was issued; it is an unofficial term. I think that above and beyond the label you put on it, it is doing its job, on the one hand, capitalizing and, on the other, getting a lot of people involved in ownership.

[Question] Has the public's reaction been what you initially expected it would be?

[Answer] We are just starting. The law was enacted in January of this year, and before shares went on sale to the public, we had to go through a series of stages. So, in the case of the Bank of Santiago, the shares have been available to the public for just 2 months, and in the case of the Bank of Chile, just a few days ago we announced that the period reserved exclusively for former shareholders was over. So, we are just beginning. Law 18,401 stipulates a 3-year period for the sale of these shares to the public. Around 15 percent of the first issuance of shares in the Bank of Chile have been sold. And although the first issuance for the Bank of Santiago was smaller than for the Bank of Chile, the public's response has been comparable.

[Question] And what about in the AFP's?

[Answer] Santa Maria has offered about half of its shares, and 29 percent have already been sold; this is a pretty fast pace, considering that the selling did not begin until mid-July. Provida has not yet gone on sale, but we expect that as of October 60 percent of the shares will be sold through the grassroots capitalism mechanism.

[Question] When will the new shareholders become part of bank management?

[Answer] The government has a clear-cut preference for private enterprise and, in this connection, is very interested in returning the administration of these banks as soon as possible. We are going to hand back control to a private board of directors as soon as there are enough new shareholders to run the bank. In any event, we cannot make hasty, irresponsible decisions either. Management without ownership leads to decision-making that is not always best for the enterprise in question.

[Question] Have you set a target?

[Answer] No, but I think that 40 to 50 percent of the shares issued, or something like that, would be a reasonable figure, but there is no hard and fast number. It will depend on how we see things develop. The aim is comprehensive normalization, not just in terms of solvency but in ownership and management as well. In any event, the provisional managements are trying to operate in as decentralized a manner as they can, following professional and independent management, financial and banking procedures. We have recently placed strong emphasis on bolstering the management of the Banks of Chile and Santiago.

[Question] What is happening with the three other intervened banks?

[Answer] We are pursuing a plan that calls for the sale of portfolios to the Central Bank, an increase in capital and, possibly, negotiating with potential investors on the new blocks of stock.

[Question] Who are these new investors?

[Answer] Talks are at a quite advanced stage with the National Mining Association in connection with the Banco Concepcion, and I hope that a definite announcement can be made in this regard before the end of September.

In the case of the Banco Internacional, talks are continuing with a group of investors from Chile's Israeli community, and I hope they conclude successfully by then as well.

[Question] And what if there is some stumbling block in the talks?

[Answer] If there is, we will attempt some sort of merger, as we plan to do with the Banco Colocadora, either between the intervened banks or between one or more of them and private, nonintervened banks. Particularly in the case of the Colocadora Nacional de Valores, this is the option that the Superintendency at least sees as most promising.

[Question] Is there anything specific in this regard?

[Answer] There have been offers from three or four foreign banks and private investors who are prepared to capitalize the institution and purchase the blocks of stock. In any event, in October the Superintendency will concentrate on the Banco Colocadora, end the general talks and begin the stages of more decisive negotiations with the people who have gone through screening.

[Question] Will you also demand an increase in capital for the rest of the banks?

[Answer] In the world of banking supervision it is an almost universal policy for the government to seek an increase in the banks' capital base, as recent years have taught us quite a lesson. Although it is true that economic crises cannot be avoided altogether by purely banking mechanisms, they can at least be counteracted by making the banks more resistant to them.

In the case of the banks that have not been intervened, the government has also made a major effort to improve their solvency by eliminating the high-risk loans that placed their capital in jeopardy. I think that the sale of portfolios to the Central Bank is quite innovative, in the sense that it is an indirect method of bank capitalization. This mechanism has enabled banks to plow back their dividends.

In certain specific cases we do have to think about increases in capital, especially the banks that need to absorb some loss carryovers and maintain a minimum pace of growth. The idea is to give every incentive to the banks that have not been intervened and to study all of the initiatives that these institutions propose to promote capitalizations, but in a context of private decision-making. A public capitalization mechanism is not part of our plans. What is part of our plans is promoting capitalizations with funds from the private sector itself.

[Question] Has there been any progress in this regard?

[Answer] The grassroots capitalism law contains an article that creates the preferential action mechanism for all banks, whether intervened or not. The agreements under which portfolios were sold to the Central Bank were amended to allow some of the surplus from new capital input to be allocated for the

financing of dividends instead of for buying back the portfolios from the Central Bank. Aside from this, the Central Bank's exchange regulations offer incentives for foreign debt capitalization in the banks.

The idea is to continue looking into additional mechanisms that entail private sector financing, not government subsidies. Two or three domestic institutions are considering capital contributions, so we believe that this policy has already begun to bear some fruit.

Supervision

[Question] How is it going with the efforts to make the financial system as aboveboard as possible?

[Answer] It would be a good idea to review the supervision policy of recent years so that we can see that the government has pursued a consistent strategy in this area. Between 1975 and 1981 the country's banking market expanded considerably; new institutions, foreign banks set up shop, and the banking system grew quickly. In spite of the subsequent crisis, I think that it was the banking system that financed much of the growth we saw during those years by attracting foreign funds and then plowing them back into the country. It played a very dynamic role during that period; it moved forward technologically and modernized...

[Question] ...but there have been problems...

[Answer] It is true that there have been problems, especially in 1982 and 1983, which was a very critical time for banking, particularly in conjunction with the national crisis that began in the last quarter of 1981. You will remember that the government had to intervene 9 or 10 institutions around that time. Then, in 1982 and 1983 it had to liquidate and intervene an appreciable number of financial institutions, including the leading ones in the country.

As a result of the crisis and also because the banking system growth in previous years had been marked by definite excesses and shortcomings that have cost the entire country dearly and forced the government to guarantee deposits, the country has gradually come to realize that supervision and aboveboard operations, especially in banking, must be an overriding policy. I would say that there are very few people who believe that supervision is not necessary or should be aimed at purely pro forma, not substantive aspects. In the wake of the recent bank crisis, the Superintendency has a very great responsibility in guaranteeing the public's trust and faith.

[Question] What are these substantive aspects?

[Answer] When I say substantive aspects, I am really talking about a new approach to supervision, like the one the Superintendency has been taking, focusing on the essence of the financial institutions' risks rather than on accounting standards, as supervisory bodies have traditionally done in this area. This means prior monitoring of the quality of bank loan and investment portfolios. In our case, observing universal financial standards and bearing in mind the main recent excesses, we place particular emphasis on monitoring

loans and loan diversification, on setting up contingency reserves when we see a problem coming, not when the horse is already out of the barn and the government has to intervene, on the purpose of the capitalizations, etc. This is our new approach to bank supervision in Chile.

[Question] What does "realism" in balance sheets mean?

[Answer] It means accurately gauging the quality of the loan portfolio, realistically gauging bank revenues, clearing bank assets promptly, and amending balance sheet standards to make them more aboveboard. This is all part of a consistent plan, because first we tried to resolve the banks' capital problems and now we are looking at the medium and long run, when we have to restore confidence promptly, aside from fostering bank capitalization. In this regard, proper financial information and aboveboard bank operations in the public's eye play a decisive role. In contrast, the only thing that keeping depositors and investors in the dark does is encourage bad practices, and in the long run the government will have to step in and take charge, jeopardizing the banking system and private enterprise.

I think that the current supervision is quite strict, and it has to be. As far as up-front information is concerned, progress is being made. Far from causing bank instability, such information is healthy because it prevents the unrest that leads to instability from growing. A potential investor prefers a policy of realism and up-front dealings to a situation in which definite conclusions cannot be drawn from balance sheets. In any event, I realize that, in light of the recent crisis and the capital depletion that it caused in the financial system, we have to proceed gradually, which is what we are doing.

[Question] In the wake of the first report from the Risk Classification Commission, banking sectors complained that there was double supervision of banks. What is your response to them?

[Answer] The amendment to Decree Law 3,500 is designed exclusively to classify the risk of pension fund investment in certain financial instruments. The Bank Superintendency is in charge of bank supervision, as it ought to be. In this regard, I see no change.

[Question] So, there is no double supervision?

[Answer] Definitely not. However, when an instrument is rated, the issuer will unquestionably be affected, especially in the sense of greater financial discipline and more up-front activities. But I don't see this as double supervision or monitoring.

[Question] What sort of effect could this rating have on financial institutions?

[Answer] As the law intends, the direct effect will be that the pension funds are going to have to reconsider how much to invest in the securities that certain banks issue. More broadly, the rulings are no doubt having an impact, especially since the banking system is emerging from a crisis and the capital

rebuilding mechanisms are in full swing. In any event, the banking sector must realize that regardless of the Risk Commission, which was a precautionary move, the policy of the government and of the Bank Superintendency is that bank operations must be realistic and up-front. This is only proper in the case of institutions that rely on public trust and third party money.

[Question] It has been said that the publication of the ratings could have a destabilizing effect on financial institutions.

[Answer] I think that this has been handled very carefully. I feel that the ratings have, on the whole, been quite reasonable for the banks.

[Question] It has also been said that there is a real desire in the air to discredit private enterprise, the banks in particular. Do you sense this?

[Answer] Look, I think that such comments have been made mainly as a result of the Risk Commission. As I mentioned, the commission is provided for by the country's precautionary laws and is not part of the bank regulatory system, which is the province of the Bank Superintendency. In any event, I am in complete disagreement with the claim you cited. I think that the government clearly prefers private enterprise, and in the field of banking it is giving concrete proof of its preference with the reprivatization.

In any event, I feel that the best insurance for private enterprise is the existence of serious, efficient and up-front businessmen, especially in banking, where public trust is fundamental and where unfortunately there have been problems in our country.

[Question] What are the criteria for information to be labeled "essential" and for such information to be published?

[Answer] The essential information requirement is contained in Articles 9 and 10 of Law 18,045 concerning the securities market. It obliges corporations offering stock to the public to provide accurate, timely and straightforward information about themselves. Banks are corporations, and these provisions apply to them. Lastly, the Superintendency issued regulations for their enforcement this past January.

We should bear in mind that it is the responsibility of bank management itself to make the essential information public, and if it fails to do so, it is breaking the law. In any event, the Superintendency believes that any information made public cannot be taken out of its general context. Therefore, my office will use its legal powers to demand the publication of essential information whenever it is needed to assess the management and stability of the institution in question.

[Question] The president of the National Bank asserted in an interview with EL MERCURIO that you want to comanage the bank and are annoyed that you are not being allowed to do so.

[Answer] I think that the president of the National Bank has been making strong public statements against the Superintendency for some time now, and in

the interview you mention he has just taken this policy to an incredible extreme.

I feel that a superintendent should not broach personal matters, as Mr Errazuriz has done. I can only tell you that the Superintendency is monitoring the National Bank and will continue to do so, just as my predecessors have done over the past 5 years, because the mandate of the law and the kind of monitoring that the country demands admit no exceptions.

The Superintendency does not wish to comanage any bank; it is only doing its duty. Moreover, while it is managing the country's main banks, it is making efforts that all can see to reprivatize them as quickly as possible.

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CHILE

POWER OF SUPERINTENDENT OF BANKS SEEN AS TOO COMPREHENSIVE

Santiago QUE PASA in Spanish 10 Oct 85 pp 34-35

[Article by Ximena Barros]

[Text] His "round" with the National Bank made him a controversial figure, and the opinions vary widely. To some his argument with Francisco Javier Errazuriz brought him down to terrain "that a superintendent had never before trod." Others accuse him of having studied the intervention on 13 January and of having advised then Minister Rolf Luders which banks to intervene. And a third group emphasizes that he is a career official and "has a technical mastery of banking." Everyone agrees on one thing, however: the superintendent's powers, which can be summarized as issuing regulations, correcting balance sheets, intervening and liquidating a bank, and interpreting the Bank Law. Too many powers for one authority? Therein lies the major doubt, especially in light of the intense auditing that the Bank Superintendency has undertaken in recent years. Cases in point: rating 85 percent of the amount of the loan portfolio, a contingency reserve to cover 100 percent of high-risk loans, adjustment of fixed assets, diversification.....A list of regulations from the "new superintendency" that emerged in the wake of the crisis in the financial sector.

With Hernan Buchi at the helm at the outset of this decade, the institution took on "new airs." "Previously, the superintendents lasted for years and merely enforced the rules. Now, in contrast, they have become part of economic policy-making, succeeding each other more quickly," a source indicated. Its new image was complemented by an internal overhaul, which was necessary in view of the broader audits it was undertaking. Today there are close to 50 examiners, most of them business administrators [ingenieros comerciales] and auditors, some with postgraduate studies, who are in charge of assessing the portfolio ratings.

I Give the Orders, You Obey

The working procedure still creates friction. The surprise visits every 3 months at times catch bank executives without information on the loans that have been selected for analysis. They even go so far as to conceal data that would reflect poorly on the lender, a source linked to the sector observes. Hence, the examiners, with their power to demand any information they need,

are not looked upon kindly. "They are treated well only because it is expedient," explains someone we interviewed.

Of the 30 loans that the Superintendency normally analyzes during each inspection, on the average 5 are appealed by the bank. Two of them have their rating upped. Although over time there has been progress towards more of a consensus on this task, it is still a source of friction between the Superintendency and the banks, along with the loans involved and the appraisal of real estate. First of all, the differences in standards give rise to continual exchanges of letters. As the sole regular means of communication, letters as well as circulars and clarifications are strongly criticized by a bank official we interviewed: "The language they use is annoying and suggests that we administrators are a bunch of crooks." Here is an example of the language that the Superintendency employs: "Has revealed serious administrative difficulties," "Has not reflected potential losses, in violation of the law..." According to the same source, such language leads banks to use a similar tone in their replies, "which hinders smooth communication." To this he adds that the Superintendency never explains the reasons for a decision; it merely issues flat orders.

The Superintendency always has the last word, though, and this has prompted heated controversy. In particular, precise regulations are lacking, and although they are difficult to establish ("Every situation is different"), this leads to subjectivity and high-handedness. Some thus argue that an appeals body other than the Superintendency is needed, lest it be both "judge and party."

Copying Other Models

But whereas some think very poorly of such "excessive" and "arbitrary" auditing, others justify it by citing the unusual juncture at which the financial system finds itself. "A policy like the current one stands to reason in the wake of the crisis we had. If we had a sound system that did not need government backing and in which the banks could absorb their losses, such toughness would be unnecessary," a source linked to the sector comments.

In one way or another, Chile's banking legislation is following the worldwide trend. That is to say, there has to be closer monitoring of the banking industry, which is based on intangible assets and operates with large amounts of other people's money. For example, the capital of Chilean banks covers only seven percent of their total loans.

What happened in England is a good example. The Bank of England, which is equivalent to our Central Bank, proposed to the British Parliament that new banking regulations be established, covering such areas as asset evaluation, portfolio rating, etc. The fact is that throughout the world governments are realizing that the lack of objective bank assessments can heighten a crisis. Thus, for example, Switzerland, Belgium and Holland, among other countries, have laws against the owner of a bank taking out loans for his personal or business use. In contrast, Japan and Germany have chosen the opposite tack, permitting the concentration of loans in powerful economic groups that represent huge corporations.

The U.S. system is supposedly the model that Chile followed. The authority there, known as the comptroller of the currency, has wide-ranging discretionary powers that are not always set forth in the law. He can take over, intervene, sell or merge a bank in 48 hours. Yet there is a key feature to this post, the president's nominee for which Congress must ratify. The comptroller has gained the banking sector's trust by not trying to forestall every contingency.

What Happened with the Urenda Bill?

An independent, technical superintendent the conditions for whose removal would be the same as for the comptroller general; and the creation of a three-member commission appointed by the president of the republic, the Supreme Court and the banks, empowered to review the decisions of the Superintendency. These are some of the provisions contained in the bill that the commission chaired by attorney Carlos Urenda submitted. The report accompanying the bill was handed in to then Minister Caceres in 1983. In drawing it up, the commission consulted with domestic and foreign experts and took into consideration the most recent laws issued in Europe and Latin America.

Nevertheless, the report, which took months to prepare, has allegedly remained on ice until now.

Who Is the New Superintendent?

Guillermo Ramirez is 38 years of age, married and has three children. He is the first career official to hold the post. He graduated with a degree in business administration from the University of Chile and received his masters in economics from Yale University. He has worked for international organizations such as the United Nations and GATT. He joined the Central Bank in 1978. In 1980 he took over as head of the Study Department of the Superintendency, where he remained during the tenures of Boris Blanco and Hernan Buchi until February 1985, when he was appointed superintendent of banks.

What do bankers think of him?

"He is competent and very knowledgeable about banking." "He is open-minded about rigid policies." "At times he is not as brilliant and shrewd as you would think he might be." "He reacts temperamentally at first and then becomes rational again." "He does not have the personality for the job, which allows the Finance Ministry to run the Superintendency." "He is calm by nature." "I think he meets the requirements for the job."

What Powers Does the Superintendent Have?

Under the General Bank Act of 1960 and the Organic Law of the Superintendency of Banks and Financial Institutions (Decree-Law 1,097), the superintendent is empowered to:

- Approve the establishment of financial institutions;
- Make corrections in the balance sheets of banking institutions;

- Issue accounting and financial regulations;
- Appoint delegate examiners;
- Impose fines for violations of the law;
- Impose bans in the event that an institution becomes financially unstable (portfolio concentration);
- Take over and liquidate an institution;
- Interpret the Bank Act.

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CHILE

FORMER FINANCE MINISTER ANALYZES PROBLEMS OF EXTREME POVERTY

Santiago MENSAJE in Spanish 1 Oct 85 pp 411-414

[Article by Sergio Molina Silva]

[Text] The studies that ECAL [Economic Commission for Latin America] conducted to ascertain the extent of poverty in Latin America and the Caribbean (Cuba was not included) indicate that around 1970 only Argentina and Uruguay had poverty rates lower than Chile. Estimates at the time were that about 10 percent of the population was indigent and a little less than 20 percent could be regarded as poor.

The category of indigent applied to those people who could not afford a basic shopping basket of foodstuffs regarded as meeting the minimum caloric and protein requirements for a person's normal development. In other words, even if the individual spent his entire income on food, he would not reach the minimum acceptable level.

Studies comparable to the ones that ECLA did were not conducted subsequently. Only in late 1983 did the Latin American Institute of Social Doctrines and Studies (ILADES) conduct a representative survey in the country to gather background material on household income and other indicators of living conditions.

The findings of the survey were used to determine income per person per family, and that income was compared with the cost of a minimum shopping basket of foodstuffs.

The Extent of Extreme Poverty

The cost of the shopping basket during the last quarter of 1983 was 1,887 pesos a month per person for urban families and 1,415 for rural families. To gain an idea of the income that a family needs at present to buy the basic shopping basket of foods, we have calculated the cost of the basket using the average prices in May and June 1985. The updated cost of the basket for an urban resident is 3,077 pesos. This means that a six-person family (the average size of the poorest families) needs a monthly income of 18,462 pesos to meet its minimum dietary needs.

Returning to the period in which the survey was taken, in comparing per capita family income with the price of the basket of food items, the survey found that 32 percent of the population had a monthly income below the cost of the basket. In other words, almost one-third of the country's population was living in conditions of indigence, whereas only 10 percent were in that tragic situation in 1970.

The income recorded in the survey might have been underdeclared, but a reasonable margin-of-error adjustment notwithstanding, the increase in extreme poverty is such that it cannot but shock the entire society.

Conditions in rural areas are extremely grave, inasmuch as the study indicated that 55 percent of peasant farmer families are living in extreme poverty. This comes to about 1.2 million people.

Furthermore, given the demographic concentration in the metropolitan area, estimates are that 1.3 million extremely poor people are living there, with the nationwide total put at 3.6 million.

The findings of the survey tragically show that almost half of the country's young children are living in extreme poverty. More than a million children between the ages of 5 and 14 are living in poverty. This situation might seem at variance with the decline in infant mortality and the improvements that statistics show in child nutrition. In this regard, we must acknowledge that efforts have been aimed at improving the situation of high-risk groups. Nevertheless, we also have to consider that poor urban families still have infant mortality rates six times higher than the national average and that 29 percent of the child population in the greater Santiago area in 1980 was malnourished and poor. Perhaps the most serious feature of the widespread poverty detected in late 1983 was the possibility of its perpetuation. Unless something serious is done about its causes, which are mainly open unemployment and underemployment, there will most likely be a rise in the indices of infant mortality and malnutrition. The investigations conducted in the outlying districts of Santiago have already revealed such a development.

The status of the 14 to 24 age group is another extremely worrisome aspect that both the ILADES survey and studies by other organizations point up. The nationwide employment survey that the INE [National Institute of Statistics] conducted in October-December 1983, indicated that 40.7 percent of the unemployed were young people, who make up just 24 percent of the work force.

Living Conditions of the Poor

As far as living conditions are concerned, the survey found that poor families live in overcrowded conditions and have about one-third the space per person that higher-income families have. Moreover, they live in ramshackle, flimsily built homes; a great many do not have a bathroom, and many lack drinking water and plumbing.

The level of schooling among heads of household in poor families is 5.4 years nationwide and about 3.4 years in northern regions and in the sixth region. In the metropolitan area the educational level of the poorest groups is

similar to that of middle-income segments (about 6.5 years), but in any event is less than half of the schooling that upper-income groups have.

Between 25 and 30 percent of the heads of household of poor families are self-employed, which makes them more vulnerable because they do not enjoy the benefits of social security.

About 22 percent of the heads of household of poor families are out of work; in the metropolitan region the figure is a little over 25 percent, rising to 36 percent in the sixth region.

Other aspects of the quality of life, such as paved streets and sidewalks, are clearly the privileges of the middle- and upper-income segments, except in the metropolitan area. The same goes for street lighting, as more than half of the poorest families in the regions surveyed do not enjoy this service. Access to the mass media is also highly inequitable, as close to 20 percent of poor families do not even have a radio. Almost none of them own appliances such as washing machines and refrigerators or their own car. Around 30 percent of the poorest homes do not even own a basic item like an iron.

The Degree of Poverty

The data would be incomplete if they did not include an estimate of the degree of poverty. This is gauged by the gap between the average income of the poor and the poverty or indigence line, which as we have noted the ILADES study places at 1,887 pesos a month per person for the urban family and 1,415 for rural residents as of late 1983.

For the country as a whole, the gap between average income and the poverty line was 762 pesos a month per inhabitant. In other words, the average income of the poor would have to be boosted by 73 percent in order for them to afford the minimum shopping basket. To gain an idea of what this means, we can calculate the total amount of money that would have to be transferred to indigent groups to enable them to rise above this status. Expressed in terms of buying power in late 1983, the sum would equal 32.916 billion a year. This represents 4.6 percent of the income earned by the richest 10 percent of the Chilean population. Even though the amount of money that would have to be transferred to the poor is far from negligible, it would not seem to pose an insurmountable obstacle if the economy were recovering more rapidly. Furthermore, we would also point out, for purposes of comparison only, that the subsidies granted to forestall the financial collapse of many Chilean banks and companies have been estimated at close to 700 billion pesos. Even if the poverty gap were to double in current pesos, the subsidies awarded for the above purpose would be more than tenfold larger.

Some Background on Income Distribution

The income distribution observed in 1983 presents huge inequalities, as the poorest 20 percent of families earned 3.3 percent of total income, and the highest-income 20 percent accounted for 61 percent.

Studies conducted to gauge consumption in the various strata of society have shown that the consumption of the poorest 20 percent declined between 1969 and 1978 by a little more than 30 percent, while it rose significantly among the wealthiest 20 percent.

Another finding that confirms the sharp decline in living standards among the poorest segments of the population emerges from the employment and unemployment survey that the University of Chile conducted. It revealed that between 1974 and 1983, one-fifth of the poorest families in Santiago lost the equivalent of 2.25 years of income if we compare what they earned during this period with what they would have earned if they had continued to make the income they did in 1970.

Lastly, studies conducted in 1984 show that throughout the 1974-1983 period, wages and salaries were below what they were in 1970. This situation has worsened over the past 2 years as a result of the pay freeze to which most Chilean workers are subject.

Some Causes of Poverty and Uneven Income Distribution

There can be no doubt that there is a strong correlation between the extent of poverty and persistent unemployment and underemployment and the fall in real wages.

First the successive stabilization policies and then the policies to adjust to external conditions, intensified by unfavorable international conditions, have caused serious turmoil in the domestic economy. In short, the impoverishment of the country as a result of misguided policies, irresponsible borrowing and adverse external factors has led to unemployment and greater poverty for two-thirds of the Chilean people. The most serious development is that at least one-third of our people are now malnourished.

Consequently, more jobs and a minimum income to meet basic needs are goals that cannot be put off. They cannot be achieved, of course under current policies nor if our national authorities docilely obey the people who are dictating Chile's economic policy from overseas. There are alternatives to current policies, and we will offer some in the near future, as reasons space do not so permit on this occasion.

Social Spending

Social spending is one of the ways to alleviate extreme poverty. We must acknowledge that social spending has come to account for half of current spending in Chile's national budget. Yet if we examine the breakdown of this spending, we see that around 56 percent is for social security and that 70 percent of social security goes for retirement benefits. If we break down the social security outlays into quintiles, we come to the conclusion that the poorest 40 percent of the population receives around 18 percent of the outlays. In other words, they are not progressive. In contrast, educational and health care expenditures are distributed more equitably. Yet it has become public knowledge that government spending cuts have caused an ever sharper decline in the quality of care at hospitals that care for the poor and

in the education that schools can provide. Nevertheless, the distribution of social spending is quite a bit more equitable than income distribution, inasmuch as the top 40 percent receives 50 percent of the social subsidies and the bottom 40 percent receives 33 percent. Although these figures show that there are still inequities in the allocation of social spending, they are not nearly as severe as in income distribution.

Final Comments

The above data on the poverty afflicting a large segment of the Chilean people are extremely worrisome.

The frustration and despair of young people, together with the anguish of parents who cannot afford to feed their children, are objective causes of social unrest. Above and beyond incited protests, people whose tragic situation has gone unresolved are prone to spontaneous outbursts. Can these anguished cries be silenced through force? We think not. When people who feel misunderstood are repressed and humiliated through the use of force, they will only grow more angry.

Nothing is to be gained by hiding the facts from the country; such a mistake could have grave consequences for national coexistence.

Therefore, we believe that an awareness of these tragic realities ought to lay the groundwork for a more unified society. The problem of extreme poverty transcends ideological frontiers, and it is the duty of all, our government officials in particular, to propose effective policies first to alleviate and then to excise this cancer that is eating away at Chilean society. With this in mind our study centers are meeting and, within the restraints that we are all familiar with, drafting a proposal to end poverty among our fellow Chileans who are suffering and who ought to be the main concern of Christians.

8743

CSO: 3348/86

CHILE

SOCIAL SUBSIDY PROGRAM FOCUSES ON AID TO MOST NEEDY

Santiago ECONOMIA Y NEGOCIOS in Spanish Oct 85 pp 11-14

[Excerpt] Health and Housing

Complementary Nutrition (PNAC): A program aimed at children under the age of six and pregnant and nursing women. Eligibility is determined through periodic check-ups at the National Health Service (SNS) Offices. This program is tied to milk and cereal hand-outs, which are provided in accordance with the degree of malnutrition suffered by the child. In 1984, 26,312,000 kilos of milk was provided to approximately 1.8 million persons. This year, 5.681 billion pesos has been allocated in the budget for this purpose. The offices require that the child be participating in the Healthy Child Control Program to receive the milk. In addition, this subsidy involves free health care for the child.

Health Benefits: To receive free health care at the clinics or hospitals of the National Health Service, the beneficiary must present a CAS 1, 2 or 3 card. Retired people, pensioners and Social Security recipients must show their pension checkstub or their benefit booklet to be treated without charge. Indigents, however, merely have to state that they are indigent to receive mandatory free treatment. Last year the Treasury spent 16.687 billion pesos on this benefit.

Parcels with Services: This program entails the construction of sanitation-housing infrastructures on urban lots. The final price of the houses cannot exceed 110 UF [unidad de fomento], and this solution is the most common one implemented to eliminate the camps. Individuals may receive this benefit through the Municipal Governments, but they may not apply for the subsidy on their own; it must be granted by decision of the Municipal Government alone.

Savings and Financing System (SAF): This program is designed to help families obtain their own homes through the savings system. The Housing Subsidy is granted by SERVIU [expansion unknown]; when the Ministry calls for bidding, families must take their prior savings books to SERVIU. There is also financing for middle-income families, obtained by presenting prior savings books. The subsidy ranges from 200 UF to 2,000 UF.

Justice

Day Care Centers (CAD): These centers take care of school-aged children who are at some social risk, meaning that one parent is absent or both parents work and cannot care for them. These centers complement the care provided at schools, reinforcing scholastic programs and providing a supplementary diet. To qualify for this benefit, one must have a CAS 1, 2 or 3 card. The addresses of these centers, which are located in various communities, are available at the city halls.

Juvenile Homes: These facilities are used by children under the age of 18 who have had problems with the law. There are two types: day facilities and boarding facilities. There is also a Probation program under which the youths are assigned a probation officer. When the juveniles have improved their behavior, they are diverted to the Observation and Diagnosis Centers.

The Family Placement Program, which governs the adoption of children, is part of the Juvenile Homes Program.

Special Centers: These centers deal with minors who have psychological problems. They also consist of day and boarding facilities, and the children are grouped according to degree and type of deficiency. In addition to food, the minors are provided with specialized care and learning reinforcement. The addresses of these centers can be obtained at the city halls or at the offices of the National Juvenile Service (SENAME).

Distribution of Pensioners

	No. of People
General Pensions	884,500
Welfare Pensions	252,000
National Defense & Customs	96,700
Total	1,233,200

(Figures as of December 1983)

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CHILE

ADVISORY GROUP SUBMITS PROPOSALS TO PROMOTE REGIONALIZATION

Santiago EL MERCURIO in Spanish 17 Oct 85 p C-4

[Text] At a meeting yesterday at the Palacio de la Moneda, 49 specific measures designed to accelerate the regionalization process in the country were presented to the president of the republic, Gen Augusto Pinochet. The measures are part of a report drafted by the Economic and Social Council (CES).

The report, submitted to the chief of state by the chairman of the CES Regionalization Committee, Mario Barrientos, proposes the following legal measures:

- a) The prompt passage of legislation to complement the regionalization norms set forth in the Constitution;
- b) The revision or repeal of various laws or regulations that would impede the regionalization process, including those related to the delegation of functions;
- c) The modification of legal norms governing auctioneers, receivers and other court officials, so that their jurisdiction will be limited to the regions to which they have been assigned.

The measures also contained the following administrative proposals:

- a) The drafting of instructions for all the Regional Development Councils (COREDES) and CODECOS [expansion unknown] to continue functioning pursuant to Transitory Article 15 of the Constitution until their respective organic laws are passed;
- b) Instructing all Service Chiefs to cease issuing centralizing regulations, which are contrary to the Constitution;
- c) Instructing the entire Public Administration on strict compliance with the regionalization regulations;
- d) The elimination of the duplication of jobs in the regional headquarters and the regional ministerial secretariats, the provision of sufficient

resources to these entities for their proper functioning, and the delegation of more functions to them.

e) The effective transfer of officials from the services and ministries in Santiago to the regions to fill vacancies, as necessary;

f) The reorientation of the functions of SERPLAC [expansion unknown] so that it can coordinate the different sectors and engage in planning, without taking on an executive and decision-making role.

In the economic sphere, these proposals were made:

a) Set a definite figure of no less than 5 percent, by law, for the resources of the National Regional Development Fund;

b) Allow the regions to participate fully in the allocation of budgetary investments, classifying projects or programs to be included in categories of national, interregional, intraregional and local importance;

c) Establish a nationwide policy of compensatory rates for public utilities, especially communications and energy;

d) Transfer to the regions the state enterprise executive bodies that have not yet been transferred, if their principal economic activity is conducted outside of Santiago, so that the decision-making, execution of projects, contracting and purchasing can be decentralized;

e) Adopt measures to facilitate the extension of credit in the regions, support the establishment of regional banks, and make the banking system more flexible, especially at the regional level;

f) Decentralize the social benefits system, giving instructions to the AFPs [expansion unknown] to meet the needs of all the regions of the country and to consider investing their resources in activities that contribute to regional development;

g) Adopt measures to cut back gradually on the Job Program for Heads of Household (POJH) in the Metropolitan Region, thus preventing the continued influx of people from outlying regions in search of a guaranteed minimum income higher than what they can obtain through the Minimum Employment Program (PEM), which is more prevalent in the regions.

The list of proposals also includes measures in the fields of education, culture and tourism. They point out the need to promote regional universities, to implement educational programs that meet regional requirements, and so on.

The package of measures also envisions the construction and improvement of highway networks and coastal roads, and the creation of agricultural settlements.

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CHILE

UNIONS HOPING TO PREVENT PRIVATIZATION OF STATE ENTERPRISES

Santiago CAUCE in Spanish 1 Oct 85 pp 13-15

[Article by Jeronimo Coignard]

[Text] On 25 September at around 5 in the afternoon, Jose Ruiz Di Giorgio, the leader of the labor union at the Magallanes National Petroleum Enterprise, was indicted for having called the protest demonstrations on 4 September.

Di Giorgio was charged with "threatening State security" by a government that Ruiz Di Giorgio and other leaders accuse of engaging in an unpatriotic activity of incalculable consequences: the attempt to sell off practically all of Chile's strategic enterprises, which until then had been left alone by even the fiercest proponents of privatization.

Furthermore, the accusation that Ruiz Di Giorgio signed just a few minutes before he was formally indicted did not need anyone to champion it in the Interior Ministry, given the overwhelming evidence of the actions, documents and declarations from a regime that seems determined to auction off what little remains standing after 12 years of a "social market economy."

Treason

The document that Ruiz Di Giorgio managed to sign just before he was formally indicted was issued by the National Federation of Petroleum and Related Workers of Chile. Signing along with Ruiz Di Giorgio, the federation's president, were the other members of the governing board: Antonio Mimiza, vice president; Ernesto Barrientos, secretary general; Emilio Ceballos, treasurer, and Ricardo Barrenechea, director.

Aside from describing the planned sell-off of the state-run enterprises as "unpatriotic," the document warns that "in the specific case of our enterprise ENAP [National Petroleum Enterprise] and its affiliates, we hereby state categorically that we will not countenance its total or partial sale, and if a sale is forced through, we will halt work at all facilities, in all shifts and in all departments throughout the country..."

The document concludes by calling on the community in general and the Armed Forces in particular to defend enterprises that are "essential to the national

reconstruction which the future government that will represent the Chilean people democratically must undertake."

At the same time, the State Enterprises Defense Command was issuing another statement that bluntly described as "traitors" those who "by commission and omission, and furthermore through legal loopholes, are still trying to hand over our national patrimony to private or foreign hands."

"Such acts cannot be forgotten or forgiven," the document concludes.

Crimes "of Commission"

The crimes "of commission" against the national patrimony date back to the very beginning of the regime, when it accepted bids for dozens of enterprises that, as Pinochet himself acknowledged (EL MERCURIO, 22 September 1985), "the State had paid for and, therefore, were legitimate government property."

Using funds that the government itself often furnished, economic groups paid very attractive prices to get their hands on a vast array of national assets, from plants to industries, land, buildings, etc, without achieving the slightest increase in their productivity or efficiency.

Only 15 enterprises were saved from plundering; they had been characterized as "strategic" because of (and we quote Pinochet once again) "the far-reaching national importance of their activities or because private ownership of them would not be appropriate."

Pinochet was merely commenting, however, on what he was thinking some 12 years, when he was still a tyro at his mission as the champion of democracy and equated the interests of the fatherland with the interests of Chile. More mature now, he realizes that only the self-sacrificing stockbrokers who will sell shares in the former strategic enterprises are patriotic enough for the crusade against Bolshevism.

"The sell-off process is under way," he announced, "and no one should have the slightest shadow of doubt about it."

The Fickle Finger

These categorical words reflect only his excellency's thoughts at the moment and fail to do justice to what he might have thought before 3 April of this year. On that date the Office of the Comptroller General of the Republic recorded the decree (published in the Official Gazette on 18 April) that authorized "the finance minister or, in his absence, Chile's ambassador to the United States or the interim charge d'affaires replacing him..." to subscribe to an \$11 million loan from the Inter-American Bank for Reconstruction and Development to finance a technical assistance program designed mainly for "public enterprises and to promote information and support systems for small and medium-sized export firms."

The ink was not yet dry on the signature with which his excellency authorized this praiseworthy "support for small and medium-sized export firms," when Gonzalo Sepulveda Campos, who was hired the day before the decree was officially published as the general coordinator of the so-called "TAL Project," sent a letter to various consulting firms inviting them to offer their services for a job that point two of the invitation described as follows:

"Briefly, the work to be undertaken is a study to evaluate the possibility of selling public enterprises to the private sector..."

In an annex Sepulveda was kind enough to list the menu: ENDESA [National Electric Power, Inc.], ECOM, ENAP and affiliates, ENAMI [National Mining Enterprise], IANSA [National Sugar Industry], ENACAR [National Coal Enterprise] and affiliates, ISE and INACAP [National Professional Training Institute].

The annex listed the following enterprises that were earmarked for only partial sell-off: CAP [Pacific Steel Company] and affiliates, CHILECTRA [Chilean Electric Company, Ltd.], SOQUIMICH [Chilean Chemical and Mining Association], Laboratorio Chile, the Telephone Company, ENTEL [National Telecommunications Enterprise], ENAEX [National Explosives Enterprise] and Telex Chile.

Since people in this country know that nothing happens in this country without someone finding out about it, we can only ask how this came to pass.

One possible answer to the riddle came from a talk that CAUCE had with Ruiz Di Giorgio just a few minutes before he was arrested.

"It seems that the gentleman has so many things put in front of him to sign that he does not have the time to read them all carefully..."

Annex 1, Part B, Letter C of the assistance agreement signed with the bank explicitly calls for a study to develop "procedures for privatizing public enterprises."

The explanation given by attorney Rodolfo Machuca (the legal adviser to the State Enterprise Defense Committee) absolves the president of a sin of omission, only to replace it with the theory of the fickle finger.

"We could imagine," Machuca says, "that the president was simply tricked into authorizing something that was not his original intention."

The firmness with which Pinochet is now backing the sale of the strategic enterprises suggests that in this case, as with many other economic policies that the regime has pushed, the truth is a painful mix of deceit, hoax, fraud and stubbornness. First, a profit-making project is portrayed as the height of patriotism and very much in the national interest; then, the people who have been seduced by the siren song pigheadedly defend not so much the original idea as the reputation of those who do not wish look like they have been deceived.

The Booty

Whether he was fooled or failed to read the fine print, or whether he did read it and fooled himself, the fact is that the president's signature set in motion a clattering and hungry privatization machine that has been running constantly since the very outset of the regime and that at best, during its quiet moments, keeps up a general or specific campaign to discredit the state-run enterprises that it would like to swallow up. Two complementary policies are being pursued to boost the profits of certain economic conglomerates or interest groups:

- a) Take over highly profitable state-run enterprises to divert the surplus funds they produce from the government's coffers to private pockets;
- b) Destroy the state-run enterprises whose profit margins make them unattractive but that are preventing competing private firms from posting higher earnings.

The methods that have been used to achieve these goals have always been the same:

- a) Constantly keep up the rhetoric about "government inefficiency";
- b) Focus the attack on the enterprise or enterprises that you want to acquire or destroy;
- c) Make the authorities take all sorts of steps that will impair their finances or operations, so that they can later be cited as examples of government inefficiency;
- d) After all this, buy them up, if possible (and it almost always is), with money furnished by the government itself.

Attorney Rodolfo Machuca has filed a petition for an injunction [recurso de proteccion] with the Santiago Court of Appeals on behalf of ENAEX, one of the state-run enterprises threatened with privatization. As one of the many examples of this procedure it cites what happened with Petrox, S.A., an ENAP refinery, which is being forced to deliver ethylene at cost to the Petrodow company, thus subsidizing one of the most powerful transnational corporations in the world, Dow Chemical, at a yearly loss of \$16 million to Petrox.

"The same Petrox company was forced not to market the asphalt cement that it produces," the petition indicates, "and to deliver the raw material to private parties...who are marketing it as if they produced it."

Furthermore, ENAP Magallanes must hand over the natural gas it produces to a private firm, and as a result "natural gas is so high priced in Punta Arenas today that the people there are burning firewood, which is incredible..."

All sorts of schemes have been attempted to prevent the State Railway from proving that it can be at least as efficient as highway transport over long distances. Every time that the efficiency of the railway makes a dent in the

profits of the trucking business, its rates are raised or its budget is cut, once again "putting it in its place."

ECOM is the state-run computer enterprise that enabled Chile to come of age in this field. Nevertheless, stubborn press campaigns, duly orchestrated by EL MERCURIO, have been undertaken to prove that it is inefficient, in other words, that it has prevented the private sector from doing a good or better business.

Complaints also orchestrated by EL MERCURIO are now being heard about ENDESA in an attempt to question its efficiency because of alleged shortcomings in the Colbun Machicura Project. True enough, the project would never have been built if the country had placed its trust in "private enterprise," which has been chronically incapable of accumulating the necessary savings and, of course, is interested only in established projects that are already posting profits.

While the private sector rails against government inefficiency and gives the authorities all sorts of specious reasons to rid themselves of these burdensome enterprises, private groups do advance planning on distributing the juicy dividends that their profits will make possible.

In its 1984 report and balance sheet ENPA, for example, posted a profit of 5.953 billion pesos, which is more than the total capital stock of several Social Security Fund Associations.

To these annual profits ENAP can add the juicy morsel of its total capital, which comes to 70.955 billion pesos.

And then there is ENAEX, which the Cardoen group has had its greedy eye on, seeking to make it part of its industrial complex and, above all, its financial dealings.

ENAEX's profits so far this year have totaled one-fourth of its capital, a more than tempting number for a private sector whose biggest successes in recent years have to be to secure from the government the financial aid it needs to remain afloat, in the form of debt reschedulings, new CORFO loans, 3- and 5-year plans, etc.

Without a Shadow of Doubt?

Perhaps the resistance that the workers in the threatened state-run enterprises are putting up and the determination of their leaders will not be enough to thwart the regime's designs unless they are accompanied by mounting discontent within the Armed Forces over the privatizations that, in spite of their failures, are being portrayed over and over as the magic key to economic development.

To a great many officers in the high and middle ranks who have seen with their own eyes the colossal ineptitude with which the economy has been run, the scandalous dimensions of the auctions of state assets, the futile borrowing and the general collapse of a country whose potential for development has been

technically jeopardized until the 21st century, the same old song of "government inefficiency" sounds worn out and off-key.

One of the ranking officers who has refused to continue singing it is General Danus, the intendant of the 12th Region, who has managed to get along well with local church authorities, the workers and students.

In Punta Arenas, the ENAP workers succeeded in doing something that had not been seen in Chile for years: taking to the street en masse to press for better economic conditions during the negotiations with the enterprise's management.

The regime and in particular its incarnation here on earth have never looked kindly on the daring Danus, who once made it to economy minister, only to fall into disgrace right away for his stubborn opposition to the all-out privatization policy. Yet the regime has never managed to strip Danus of his influence, because when it has sought to, the support he has received has shown the government that the cure could be worse than the disease.

The commander in chief is not beset by the slightest shadow of a doubt. His subordinates have only doubts and not even a shadow of the conviction with which they followed his lead lock, stock and barrel in the early years.

The scandal of the auction of strategic state-run enterprises could suddenly have much broader repercussions than just as another economic scandal of the Pinochet regime.

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CSO: 3348/86

CHILE

SAENZ: NATIONAL DEVELOPMENT DEPENDS ON MIXED ECONOMY

Santiago HOY in Spanish 7 Oct 85 pp 32-33

[Commentary by Orlando Saenz]

[Text] When the editor of HOY asked me to write up some comments on the issue of publicly owned enterprises, I hesitated much longer in picking up my pen than I have on other occasions to address seemingly more burning issues. The reason was that in the heated atmosphere prevailing today in Chile, a balanced, independent opinion could very easily be turned into a radical one by the "black or white" mentality that characterizes polarized societies. Since I am essentially a businessman who, therefore, has enormous faith in the ability of private enterprise to make a real contribution to the country's development, nothing concerns me more than being confused with people who seek a radical socialization of the Chilean economy.

Advocacy of free enterprise does not, however, in my judgment mean that it can and ought to be the only tool for development and that its interests always square with the national interest and the common good. It has been demonstrated, even according to the most orthodox economic theory, that transnational and monopolistic corporations more often than not have interests that are diametrically opposed to the public interest. Such evidence would seem to explicitly contradict those who argue that regardless of the size or the circumstances a production activity is always performed better by a private company than by any other kind.

Going even further, I think that private enterprise's legitimate and constructive sphere of action ought to be clearly established by the community in which it operates and that, moreover, this sphere is not the same everywhere and at all times. In the United States, for example, the market is so large and the capital formation capability so powerful and widespread that private enterprise can obviously encompass almost any area without running the risk of inadequate funding, monopoly or subordination to outside interests.

At the other extreme, a very poor country with great economic and social inequality will unquestionably offer a much smaller sphere of action that private enterprise can cover solvently and efficiently and with sufficient common ground between its legitimate interests and social and national interests. Between these two extremes there are obviously a great many

intermediate situations, which can also change over time. Hence, they bear out my assertion that the restrictions on private enterprise must be constantly reassessed as a country develops economically and socially. I also believe that the real enemies of private enterprise are to be found not only among those who deny its legitimate area of action and development but also among those who would extend it beyond such an area and place it in a position in which it will inevitably lose its political and social acceptability as it and the common good drift apart.

Now then, the extent of private enterprise's proper province depends, among other things, on the quality and quantity of a nation's businessmen and on the quality and quantity of the population that can generate productive savings. To put it another way, and even though the point might seem superfluous, there can be no true private enterprise without private businessmen or private capital. Many of the people who fancy themselves the high priests of the hallowed principle of private property and private enterprise seem to be ignorant of this truism.

Moving from the realm of theory to practice, mere profiteering engaged in with money borrowed from banks or the government is not true private enterprise.

The concept of private enterprise cannot be disassociated from the concept of private venture capital, which precisely because it is being risked legitimizes profit-seeking and authority within a firm. For example, a bank that has lost all its capital and operates with money that the Central Bank lends it to survive is not a private bank. By the same token, it is not ethical to cite the principle of the government's subsidiary role, which I am the first to endorse, in explaining to the average citizen why public monies have to be managed by profiteers or former private businessmen who, while earning fabulous sums operate under the principle that if there are profits, they win and if there are losses, the government loses.

I hope that these simple and easily verifiable comments help explain why I feel that we must define private enterprise's sphere of action as soon as possible, taking into account the fact that private funds are in very short supply. We must avoid repeating the mistake of placing the entire responsibility for national development on a sector that is not in a position to shoulder it but that can be a leading actor if it learns to live and work together with a public sector that is equally aware of its role and limitations.

Only a fool would think that Chile can become prosperous in the near future without the inevitable, healthy and harmonious coexistence of government-run businesses and a private sector that is realistically assigned to an area that it can and must cover efficiently and in keeping with national interests.

In spite of its forthright realism, however, this assertion does not shed enough light on what the dividing line between the two spheres of business activity ought to be. In an attempt to do so, I am proclaiming the following principle: the government should undertake those activities that the private sector could accommodate only by embracing purely financial considerations that are incompatible with the country's social realities and with its highly

inadequate income distribution (read health care, social security, education, etc, except, of course, in serving the highest income segments, which can reconcile market-dictated prices with their desire for more sophisticated and exclusive services); the vital areas for national development that the private sector cannot afford to encompass, either because of the amounts involved or the long lag in recovering initial investment (read large-scale steel industry, oil, large-scale mining, transportation infrastructure, electrification, major urban services, etc); and finally the strategic areas, in which, although private domestic or foreign involvement is possible, the nation's independence and sovereignty would not be well served if the government yielded control (read the existing infrastructure in the aforementioned vital areas, atomic energy, communications infrastructure, military hardware, etc).

The above categories are, of course, quite broad; narrowing them down would require a national plan that defines the country's options in pursuing a specific development model.

Nevertheless, I should underscore that, conceptual clarifications on this vital issue of economic areas aside, the public and private sectors must learn to work together in harmony and respect each other's idiosyncrasies and virtues.

Before all else, this means destroying the commonly held myths that every private firm greedily and systematically exploits all consumers and all workers and that every state-run enterprise is inefficient and high-handed.

These obsolete caricatures, which not even our own experience bears out, have led to constant friction between the two sectors, thus preventing them from becoming "partners" in national development, as they have in other countries.

The fact is that in Chile there have been excellent private companies that have brought well-being and progress to thousands of individuals, just as there have been very efficient and well-run public enterprises. The CAP [Pacific Steel Company] did more than just create a steel industry in our country; its wise development policy, which a firm concerned only about making a profit would never have pursued, made possible the development of much of the domestic metallurgical industry, especially the capital-goods-producing sector. I could also cite ENAP [National Petroleum Enterprise], ENAMI [National Mining Enterprise], ENDESA [National Electric Power, Inc] and others as evidence that the customary antipathy towards public enterprises could only be the result of prejudice or ignorance.

It behooves us to bear in mind at all times that in Chile a mixed economy is not a matter of preference or doctrine; it is an unavoidable consequence of what we are and have. Those who dream of an altogether capitalist development are no less misguided and dangerous than those who dream of a socialist country in which the government is the only businessman. Whenever one group holds sway over the other, we will merely be wasting our time instead of implementing the only system that can lead us to true development, necessitated as such a system is by our inescapable social, economic and geographic realities.

It is certainly paradoxical that the warnings implicit in these simple and obvious remarks have to be underscored at this point in time. Yet we live in a period in which a reactionary clique has taken over government policy-making. So reactionary is it that not satisfied with having brought on the worst economic catastrophe in the country's history with a neoliberal experiment that is as extreme as it is aberrant, it is now readying to sell off what remains of the publicly owned assets that several generations of farsighted public servants of every political persuasion worked long and hard to build up.

It is, to be sure, a sign of the mixed up times in which we live that this should happen when those who ought to best understand national strategy and security are in power and that the person speaking out on the issue is a man who was forced to risk his own personal integrity so often to defend the free enterprise system.

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CHILE

POLICE SAY COMMUNISTS HIRING CRIMINALS TO FOMENT SUBVERSION

Santiago EL MERCURIO in Spanish 16 Oct 85 pp A-1, A-11

[Text] "It has been proven that in Chile the outlawed Communist Party, acting through its armed units, has had to join forces with, use and pay common criminals to carry out its subversive actions, because it doesn't have the support it would like. This has happened only in our country. In other countries, it is customary for there to be an alliance between terrorists and drug traffickers, but not with common criminals."

The director general of Chile's investigative police department, Fernando Paredes Pizarro, issued this statement yesterday. He was the designated member of INTERPOL's Executive Committee for the Americas to INTERPOL's 54th general assembly, which was held recently in Washington.

Participating in this session were 114 countries and 14 organizations attending as observers. After studying a 20-point agenda and basing their work on the reports delivered at the conference, three lines of action were formulated for campaigns against terrorism, drug traffic, and international economic crimes.

In an interview with EL MERCURIO, Gen Fernando Paredes spoke of a number of points discussed at the Assembly, and their impact on Chile's situation.

When asked about the coordinated actions involving extremists and criminal elements, he said: "This is the first time that such contacts have existed between these parties. The criminal is used in activities related to political action, but not in purely criminal actions. This union reveals their shortage of people with the commitment and support they need."

He added that "this doesn't mean there will be any changes in our work, for we are looking for criminals, no matter what their nature. Terrorists are nothing more than common criminals, and they are not a special breed called political criminals, as they claim to be."

On the subject of the presence of urban guerrillas in South America, and the possibility that they might move into Chile he commented: "We don't

have urban guerrillas here, and I hope they will not start to operate in Chile. There are a number of stages in a subversive war, but we Chileans are very far away from that sort of warfare."

Then he explained that "there are some people who talk a great deal, and it seems they have a "small-town outlook." They say there is a lot of activity going on at night; they hear noises, sirens, and a lot of movement, and they are amazed at all this. They don't know that in Paris, New York, Madrid, and Rome, that same sort of activity is much greater. Just in Rome alone there are 6,000 police vehicles, 3,000 of them operate at night, and 20 percent of them use sirens. Here, adding together the Carabinero and Investigative Police vehicles, we still don't have that many."

Drug-Related Terrorism

In speaking of drug-related terrorism, he said: "We still don't have that in Chile. We are at an elementary level of terrorism compared with what goes on in Peru. There, 6,000 people have died in the past 2 years. They have real zones where the law of terrorism reigns, and where the drug dealers operate. The extremists protect them and the drug dealers give the terrorists a lot of money to buy weapons. But we don't produce drugs, except for marihuana which is of no value and is not exportable."

At the same time, he said that it isn't feasible for foreign drug terrorists to deliver supplies to Chilean extremists. "It's a problem of money, because the amount of drugs going through our country at the present time isn't enough to finance terrorist activity."

He added; "I think that subversive activity in Chile is still being supported with aid from outside that goes directly to certain people. Some of them, whose names are well known, go abroad to seek such aid. There are also periodic payments made to certain organizations."

He emphasized that the Soviet Union is one of the countries that provides the largest amount of support, acting through "front groups or psuedo-study organizations. All that is public knowledge."

He claimed that the level of terrorism existing in Chile is infinitesimal in comparison with what other countries have. "An attack on a minibus can't be compared with an attack on a hotel in Asia, in which 30 people died. The Chilean people have to realize that we may be able to add up 150 terrorist acts, but they have no relation at all with what is happening in Europe or Asia. The order and tranquility we have here are a reality, and people can not ignore that fact."

Kidnappings

When asked about the kidnappings that have taken place in Chile, he said: "That is an interesting issue, because it is a crime that in Chile doesn't have anywhere near the same magnitude that it does in some other countries, not bordering on or near Chile. In some of these countries, one person is kidnapped every half hour. Here, that doesn't seem to happen. Last year there were five kidnappings of minors, and they were all returned without being harmed. In four of these cases, all the money paid was recovered. That indicates the level of efficiency."

Despite this, he did indicate that during the present year another type of kidnapping has been observed, "which has involved some students, young people in certain parishes, and even the employee of a former senator."

Gen Paredes Pizarro explained that "it has been proven that many of these cases--obviously, not all of them--were faked. One young man lied to make himself look more important in his parish. Luis Bossay's housekeeper said she had invented the kidnapping to explain her absence from work. Another similar case is now under investigation. I think it is very easy to make political use of these situations, and we reach that conclusion when we have proof of it."

Economic Crimes on an International Scale

In discussing what is called "international economic crimes," he explained: "This is a serious problem all over the world, for there are a number of fictitious banks or other organizations involved in counterfeiting, that put into circulation money or checks in dollars all over the world, creating huge losses. It was agreed to take action against this new form of crime, and also against another that is done with the use of computers."

As an example, he added: "In the United States funds can be transferred simply by pushing a button on a computer keyboard, and in some cases, people have broken into computer circuits and caused major economic problems. Fortunately, we don't have such crimes in Chile, because our banks don't have a great deal of computer activity. Still, last year a national bank in Chile received one such document, and lost \$300,000."

Recognized Prestige

When asked about the significance of his selection as a member of INTERPOL's Executive Committee for the Americas, he said: "I was chosen by a majority on the first ballot, even though I didn't intend to be a candidate. In terms of our police service, this shows that Chile has great prestige on an international basis, that we are not isolated, and that our procedures have been recognized by government representatives of other countries."

In closing, General Paredes reported that the second session of INTERPOL's general assembly was chaired by the U.S. president, Ronald Reagan. In his speech he pledged to lend his strongest support to the struggle against crime and terrorism. Reagan concluded by pointing out that in the past, there had been no firm determination to arrest professional criminals, but that all this had changed. Reagan's statement is an indication of the determination of the present U.S. government to take action against terrorists, international crime, the drug traffic, and everything that harms the security of people in any part of the world. This is very important, and provides essential support for INTERPOL."

7679

CSO: 3348/105

CHILE

ZINC EXPORTS DOUBLE; REFINING PLANT CONSIDERED

Santiago EL MERCURIO in Spanish 20 Oct 85 p B-2

[Text] This year's zinc concentrate production has been estimated at 55,000 metric tons, generating exports amounting to approximately \$12 million. This information was discussed during the recent conference on zinc sponsored by the Office of Export Promotion, held at the National Mining Company. Participating in this conference were producers and specialists in this field. This information was contained in a report of the Foreign Ministry's General Office of International Economic Relations.

The purposes of this meeting were to provide information on the status of the zinc market, which is now described as "interesting"; to study technical and commercial support mechanisms for new zinc mining projects; and to determine the known zinc reserves in Chile, so that new projects may be developed.

In addition, incorporating a greater added value in Chile's zinc exports was discussed, based on the results of a pilot plant for producing metallic zinc.

During this session, a number of issues were analyzed and discussed. They included the attractive and stable nature of today's zinc market, Chile's known zinc reserves, and processing methods used to produce concentrates.

Exports

According to statistics, in 1983 zinc exports amounted to US \$2.7 million, and in 1984 to US \$6.7 million. Consequently, zinc exports occupy an important place in Chile's sales of nontraditional products abroad.

Conclusions

During the session, it was decided that it would be useful to evaluate the possibilities of establishing a refining plant in Chile in order to produce metallic zinc. This would considerably increase the value of our exports, and would also provide large foreign currency savings, by eliminating import and freight costs.

With this in mind, the results of the INTEC-CHILE [Chilean Technological Institute] experiment with electrolysis in a pilot plant were analyzed. It was concluded that the results of this experiment should be updated and re-examined, as some of the factors prevailing at that time do not match today's situation. For that reason, it was decided to begin immediately to study the possibility of presenting this project to the Production Development Fund, in order to update and reexamine this study.

7679

CSO: 3348/105

2 December 1985

CHILE

PORT SALARY DEMANDS WOULD DOUBLE FRUIT EXPORT COSTS

Santiago EL MERCURIO in Spanish 19 Oct 85 p B-3

[Text] The Maritime Chamber yesterday warned that the salary demands being made by the port unions of Valparaiso and San Antonio would double the cost of shipping fruit during the season now about to begin, as well as of shipping Chile's other exportable products.

The chamber pointed out that the major port unions in both cities met in Valparaiso and agreed, according to the chamber's report, that they will demand a minimum wage of 4,000 escudos per shift.

Business sources indicated that representatives of fruit growers and of fish meal producers have already met with the minister of labor, to whom they expressed their concerns about these salary demands.

The chamber explained that the danger in increasing port costs is that this will affect the competitive nature of Chilean products abroad, recalling that 98 percent of Chile's foreign trade is conducted by sea.

Concerning the labor situation, the chamber stated that in 1981 the government paid the labor monopolies existing in the ports, and which were making port operations more expensive, over US \$50 million in compensation, and issued a new law providing free access of any Chilean to port jobs, allowing anyone to obtain a PTP [Port Worker Permit], unlike the prior system, which had set a limited number of occupational quotas or job slots per port and per job specialty.

In addition, the private sector was allowed into the port work previously done solely by EMPORCHI [Port Enterprise of Chile]. Then the ports ceased being foreign trade bottlenecks, and their costs were substantially lessened, stated the chamber.

"Unfortunately, starting in 1983, the authorities halted the issuance of the PTP, and then port jobs gradually returned to being the exclusive property of a limited number of workers," added the chamber.

"This exclusivity," the chamber continued, "gave the workers unlimited bargaining power and in some ports, as in Iquique, because the PTP holders refused to do the necessary work, and as the employers were forced to use these workers, they had to grant wage hikes that greatly exceeded what would have been given in a free market. This will certainly raise port costs for our foreign trade."

In this regard, the Maritime Chamber stated that in Iquique, when there was a work stoppage in April of this year, the employers opened an official registry in which over 800 workers signed up, who were willing to work for less than what was at that time being paid to the 400 PTP holders. Nevertheless, as they were required to use the PTP holders, once again the wage hike demand had to be granted.

According to the chamber, "the events in Iquique may be repeated in Valparaiso, San Antonio, Talcahuano, and in any other port on our coast. Recently there was a strike in Antofagasta; there again, the employers had to grant a wage increase exceeding what would have been offered in an open market."

For that reason, the chamber warned that "until the authorities reestablish free access to jobs, we will have to expect significant increases in port costs, which in the end are paid by our foreign trade, but which in any case will be the responsibility of the members of this chamber."

Finally, the chamber said that "claiming to protect workers' rights by restricting free access to jobs is not only unconstitutional, but also entails a return of the port labor monopolies that have so greatly hurt our foreign trade."

7679

CSO: 3348/105

CHILE

PENSION FUND MANAGER DECLINES PROPOSAL TO AID HOMEOWNERS

Santiago EL MERCURIO in Spanish 17 Oct 85 p B-3

[Text] The general manager of the AFP [expansion unknown] Association, Alfonso Mujica, stated that "the use of part of the funds for the payment of delinquent mortgage dividends would cut into the level of pension funds that the system is capable of providing."

The official was referring to the proposal presented to government officials by the Association of Real Estate Brokers (ACOP), to the effect that legislation be passed to permit beneficiaries with mortgages to make a one-time withdrawal of individual pension funds to pay off part of their debts.

Mujica commented that to achieve this objective without affecting the foundation of the system, the only way to proceed would be to repay these funds to the respective pension funds so that the full and timely payment of pensions would not be affected.

The executive of the AFP Association stated that because the pension funds contain specific amounts and are calculated to pay the respective pensions, "they cannot be used for other purposes, no matter how important and laudable they are, without damaging the system."

With regard to the problem of mortgage debtors, he contended that the solution lies in bringing down inflation and lowering interest rates to normal levels, since this would cushion the impact of the UF [unidad de fomento] and the interest rates themselves on mortgage debts.

He reported that the AFPs, whose portfolio is 37.47 percent mortgages and the remainder other instruments, have contributed significantly to lowering interest rates. This has served to neutralize the upward pressures exerted by the higher demand for funds.

He observed, finally, that the system, operating through specialized institutions such as banks and through mortgage investments, has financed more than 40,000 homes. Their owners face an average mortgage payment of no more than 15,000 pesos, and nevertheless can expect to receive just and adequate pension payments in the future.

8926

CSO: 3348/104

CHILE

CANADIAN SHIP TO BE OUTFITTED FOR UNDERSEA RESEARCH

Santiago EL MERCURIO in Spanish 19 Oct 85 p C-7

[Article by Patricio Gomez Couchot]

[Text] Talcahuano—"Chile, or more specifically, our shipyards, were honored with the award of a contract after participating in bidding along with the United States, Germany, France, and Canada, among other nations," reported Capt Fernando Medina, administrator of the Naval Docks and Yards (ASMAR) plant. He made this announcement yesterday, releasing the results of international bidding to convert a Canadian "roll-on roll-off" truck-transporting vessel to an undersea research support ship.

The official stated that the ship, which arrived at this port at 0400 hours yesterday, Friday, must be converted by ASMAR in 138 days under a \$4.5 million contract. Nearly 400 people will be employed on the project.

To meet this objective, he stated, the contracting firms must work three shifts, including Saturdays and Sundays. "Meeting the deadline is a great challenge for us, and I am confident that we will be successful," emphasized Capt Fernando Medina.

He noted that the international bidding "was fiercely competitive," and the fact that the ASMAR plant in Talcahuano won the contract constitutes "a reaffirmation of our professional ability and our high level of technology, which enables us to undertake any kind of shipbuilding assignment."

He explained that the ship will be converted into an undersea research support unit by outfitting it with modern technology and equipment for deep sea diving and dragging. The vessel will have a capacity for 120 crewmen.

The administrator of the ASMAR plant in Talcahuano reported that the Ship Construction and Repairs Departments will participate in the project, adding that much of the equipment will come from foreign suppliers. He also indicated that the steel will be purchased from the Huachipato, S.A. steel company, while the regional enterprise Esenaal will be responsible for the accommodations.

The ship, which will be named "Canada Tomorrow," will be operated by the Canada Tomorrow Discovery Corporation, a research institution based in Horning's Mill, Ontario, Canada.

The contract was signed last month in New York by the director general of ASMAR, Rear Adm Luis Lara, and by representatives of the vessel's owner. It was won thanks to factors such as "ASMAR's reputation, speed, quality and competitive prices," stressed the Talcahuano plant administrator. The ship came here from the French port of Le Havre.

With regard to the conversion, the captain explained that eight different procedures will take place; among them, an extra deck will be added between the main deck and the upper deck, an access pile will be built for undersea diving, and a deck for helicopters and other craft will be installed. In addition, the equipment in general will be modernized to meet the strict standards imposed by Canadian Coast.

New Projects

Capt Fernando Medina, when asked about new projects ASMAR is about to undertake, stated that "there are many of them, and next year there will be major developments in the whole area of shipbuilding."

He stressed that at present a deep sea fishing vessel is under construction; it will be launched on 15 November for final testing, and will be officially commissioned on 20 December.

8926

CSO: 3348/104

CHILE

SMALL-SCALE FARMERS' DEBT PICTURE BRIGHTER

Santiago ECONOMIA Y NEGOCIOS in Spanish Oct 85 pp 5-6

[Text] All indications are that the agriculture sector is one of the sectors facing the fewest problems. Production yields have been good; the price bracket policy has brought stability to the rural sector; the transfer of applied technology has made significant progress; and farmers' payment capacity has also improved in the past year.

The small farmer's financial burden, however, is still difficult to sustain, and agricultural leaders have been forced to seek solutions that even include negotiations--not always successful--to suspend farm auctions while the possibility of obtaining terms and interest rates more commensurate with yields is being studied.

Many farmers owe very little, and therefore have almost no bargaining power. A look at the statistics suffices: More than 50 percent of debtors who are in default owe less than 400 UF [unidad de fomento], with an average debt of just 244 UF. And it is these small farmers, almost all of them sharecroppers, who represent 31 percent of the sector's total past-due debt.

Change of Attitude

Perhaps because of that old farmer's adage that "you can't be an asset as a farmer if you don't have some liabilities," people in the rural sector got too heavily into debt. If one compares the average profit rate in this sector of 6 to 8 percent with the worldwide average, it becomes clear that there was no way they could have withstood the interest rates that prevailed in this country over the past decade.

This is especially so if one considers that farmers were used to operating with non-adjustable loans and with a high rate of inflation that quickly wiped out their surpluses. The change unfortunately coincided with the decapitalization of the farm sector due to the agrarian reform program that had been implemented earlier. Finally, low tariffs and high imports dealt the coup de grace.

The auctions of lands in the south and the constant complaints and declarations by farmers called attention to problems in this area. The lack

of foreign exchange, moreover, contributed to people's awareness that it would be necessary to devise a policy to stabilize farmers' situation.

There is practically no unemployment in major agricultural areas, and this has sparked much interest in promoting a rural development policy that would allow those who live on the outskirts of the large cities to return to the countryside. There they would at least be assured of enough to eat and a small production surplus.

Excessive Interest

It is clear to many that the agricultural businessman is not easy to replace. He is the general manager, chief of finance, production manager and administrator of his land. He knows what fields should be planted, and with what. He also markets his own products. For this reason, farm leaders believe that the banks should call in the debtors and seek a solution for them. They add that if farmers believe they are being called in to have their property auctioned off, they will not go near the bank.

In the financial system, a study is circulating that contends that more than 30 percent of the current debt is attributable to excessive interest charges. For example, if an interest rate of UF plus 8 percent for the period from 1977 to 1985 is considered reasonable, the real interest payment farmers have been making is 31 percent higher than the figure regarded as reasonable.

The report explains that small farmers face in an even tougher situation: At a rate of UF plus 8 percent, 49 percent of the current debt can be attributed to excessive interest charges. It calculates that, given the average profit rate of an agricultural business, any real interest rate above 5 percent is unreasonable.

This is not the only point of view. There are those who maintain that farmers' payment capacity in general has improved considerably, and that most are in a position to meet their obligations. They claim that the ones who are really in trouble are those who have high debts and those who are too small. They also contend that farmers have been receiving more help than other sectors through the price bracket policy and the expansion of buying power.

In agriculture, as in all sectors of the national economy, there are different kinds of debtors. Even within the National Agriculture Association (SNA), there are differences of opinion. The most popular view, however, is that overall terms and interest rates should be renegotiated to eliminate discrimination, though it recognizes that such negotiations should be undertaken within the framework of budget limitations.

Perishable Goods

Another factor that must be considered when looking at the agriculture sector is that there is no short term in this activity; it is impossible to regulate production according to the supply of the international competition, because the products are essentially perishable and the sector is influenced by uncontrollable factors such as the weather.

It is hoped that if the problem of vintners can be solved and the boom in exports can be sustained, within a fairly short time the foreign exchange produced by certain subsectors, such as fruits and vegetables, can be doubled.

As of February of this year, the agriculture sector (including the subsectors of farming, ranching, forestry and lumber, the farmland infrastructure and fishing) faced a debt of 178.205 billion pesos. Approximately 42,819 UF had been rescheduled for a longer term, with agreed real interest rates of 5 to 7 percent a year. The aforementioned study points out that on the total rescheduled debt, if the grace periods and amortization terms take place as agreed, debtors will have to pay a total of 23,516 UF in interest alone. It claims that even though the level of indebtedness is considered very high today, it should be noted that 55 percent of the current volume of the debt must be paid in interest alone.

Illustration: If a debtor owes 100 pesos today, he will have to generate 155 pesos in resources to pay that debt in the future. If the figures are calculated in dollars (assuming an exchange rate of \$14.40 to 1 UF), on a rescheduled debt of US \$618.5 million the interest payments will total US \$340 million. The report concludes that the problem does not lie in the renegotiation, but rather in the fact that the burden was very heavy to begin with; this limited the debtors' ability to pay, even though renegotiation has been advocated as a real solution.

The Debt and the Debtors

Debtors	Range of Debt
14.6%	1 to 400 UF
19.7%	401 to 1,000 UF
31.8%	1,001 to 5,000 UF
11.2%	5,001 to 10,000 UF
9.2%	10,001 to 20,000 UF
8.3%	20,001 to 50,000 UF
3.1%	50,001 to 100,000 UF
2.1%	more than 100,000 UF

8926

CSO: 3348/104

CHILE

BRIEFS

LABOR SUBDIRECTOR NAMED--Victor Mukarker Ovalle, 41, an attorney and university professor, took office yesterday as the new assistant director of labor. He replaces attorney Alfonso Canales, who resigned. It was reported that Canales, who held this office for 11 months, resigned to take a position in the comptroller's office of the National Petroleum Enterprise (ENAP) in Magallanes. [Text] [Santiago EL MERCURIO in Spanish 19 Oct 85 p C-5] 8926

LIBERAL MOVEMENT LEAVES FEDERATION--The Political Committee of the Liberal Movement voted unanimously to leave the Democratic Federation, a coalition it had belonged to along with the National Party and the Republican Party. The measure was adopted by the Liberals after learning of the National Party's reported decision to join the UDI and the UN [expansions unknown] on a single slate in the Student Federation of Chile (FECH) elections. Liberal Movement President Gaston Ureta announced the decision, pointing out that "the National Party violated the political line of the Democratic Federation, whose orientation was the democratic center right and opposition to the current regime." [Text] [Santiago EL MERCURIO in Spanish 19 Oct 85 p C-3] 8926

CSO: 3348/103

ECUADOR

FEBRES CORDERO TO VISIT THREE AREA COUNTRIES

PA241550 Quito Radio Quito in Spanish 2300 GMT 22 Oct 85

[Text] Foreign Minister Edgar Teran Teran has announced that President Leon Febres Cordero will visit Colombia, Venezuela, and the Dominican Republic in the next few days. He also said that the Peruvian foreign minister is expected to visit Ecuador next Thursday. Teran said that important topics involving cultural, economic, and arms build-up issues will be discussed.

The Ecuadoran foreign minister also announced that he will visit Guatemala and Uruguay.

[Begin Teran recording] On 13 November the president will begin a tour. He will officially visit Colombia, Venezuela, and the Dominican Republic, thus responding to cordial invitations from the governments of those countries.

Relations with Colombia [words indistinct]. Relations with Venezuela are on the increase but there have been some commercial difficulties in recent years. Efforts will be made to resolve them. The Dominican Republic is a democratic country that has a very coherent, clear foreign policy [words indistinct] the Contadora Group. The president will be visiting these three countries in November.

I will be making two official visits. My first trip will be to Guatemala on 3 November, which is an unforgettable date from the viewpoint of the Latin American political process since there will be elections in that country on that day. On that day, Guatemala will fully join the group of countries on our continent that have fully democratic regimes. Afterwards, I will visit Uruguay. In both cases I will be responding to official invitations from those two governments. With Uruguay we have very dear and growing relations, some common projects, and some points that must be discussed following President Sanguinetti's recent visit to Ecuador.

Finally, I want to state that Peruvian Foreign Minister Alan Wagner will arrive in Ecuador on Thursday in response to an invitation made to him by the Ecuadoran government during the recent presidential inauguration in that country. It is obvious that the only peaceful road that the people and governments have to overcome difficulties and problems that exist and result from relations between neighbors is the road which involves efforts by the people to become closer and to understand each other. This is why I invited the Peruvian foreign minister to visit Ecuador.

With the Peruvian foreign minister we will be discussing various subjects, including economic and cultural relations, and serious problems being faced by the two countries such as drug trafficking. We will also discuss all matters related to countries that want to live in peace. [end recording]

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CSO: 3348/154

ECUADOR

BRIEFS

OIL EXPLORATION CONTRACT SIGNED--With a daily production of approximately 300,000 barrels of crude oil, Ecuador today opens new possibilities for increasing its production when CEPE [Ecuadoran State Petroleum Corporation] signed a contract with the TEXACO (?Pexen) Consortium for exploration and exploitation of Block Number Six in Manabi Province. The contract entails a minimum investment of approximately \$25 million during the 4 years of the exploratory phase and will allow the country to begin searching for hydrocarbons inland after 6 decades in which gas and oil explorations were first carried out on Santa Elena peninsula. President Leon Febres Cordero will attend the signature ceremony at the Manta Municipal Hall. The TEXACO (?Pexen) Consortium will conduct geological and geophysical explorations in 1986 and later continue in 1987 and 1988 with the exploratory drills on Block Number Six which is part of the Manabi Basin. [Text] [Quito Voz de los Andes in Spanish 1130 GMT 1 Nov 85 PA]

JAPANESE-U.S. FIRM TO BUILD OIL REFINERY--Quito, 1 Nov (EFE)--The Ecuadoran State Petroleum Corporation has granted a contract for the construction of a refinery in the eastern part of the country, next to the crude oil deposits. The construction of the plant, at a cost of \$22.5 million, will be done by the Japanese-U.S. Nissho-Kobe-Fish Consortium, that ranked second place in the bidding and agreed to readjust its prices. The first place in the bidding went to the Spanish Tecplant Ingest Firm, but the negotiations did not lead to the signing of a contract. The refinery will process 10,000 barrels daily, once it is completed in 19 months. [Text] [Madrid EFE in Spanish 1404 GMT 1 Nov 85 PA]

LABOR MINISTRY TO HAVE TWO UNDERSECRETARIATS--The Labor and Human Resources Ministry will have two undersecretariats which will oversee the ministry's complex action policies, according to an executive decree issued by the government of President Leon Febres Cordero. The labor undersecretariats will work with the minister in drafting and implementing the ministry's action policies and in handling matters related to work, wages, safety, and organization. The labor undersecretariats will organize and coordinate the plans, programs, and projects of the units assigned to the undersecretariats, with the minister's approval. They will also have another function according to the law, decrees, and ministerial agreements. They will also sign documents for which they have authorization or by orders of the minister. They will also attend or preside over, in absence of the minister, the other Labor Ministry's departments. [Text] [Quito Voz de los Andes in Spanish 1130 GMT 30 Oct 85 PA]

EDUCATION MINISTER SUSPENDS CLASSES--The education minister has suspended classes until further notice in the secondary schools in Santiago, Guayaquil jurisdiction; Mejia, Carchi Department; the technical school in Quito, and the school in (Shuyumbichu). Yesterday, the minister issued Communique 11,231, according to which the country requires peace to be attained through the cooperation of all Ecuadorians in their normal activities aimed at developing culture. The communique added that it is the responsibility of teachers, administrators, and students to maintain the proper conditions for the best results in educational activities. The communique said that students from the schools mentioned did not attend classes yesterday, and many others left their classrooms, thus altering order and peace. [Text] [Quito Voz de los Andes in Spanish 1130 GMT 24 Oct 85 PA]

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CSO: 3348/155

EL SALVADOR

AMERICO ARAUJO INTERVIEWED AFTER RELEASE

PA090051 (Clandestine) Radio Venceremos in Spanish to El Salvador 0000 GMT
8 Nov 85

[Interview with Commander Americo Araujo, deputy leader of the Communist Party of El Salvador at "some war front" by unidentified reporter--live or recorded]

[Excerpts] [Question] Venceremos now contacts one of our war fronts in order to interview Commander Americo Araujo, deputy leader of the Communist Party of El Salvador [PCES], an organization forming part of our FMLN. As our people know, Commander Americo Araujo was part of the group of Salvadoran patriots who were rescued from the Duarteist prisons on 24 October. Commander Americo Araujo and other companeros who were in the Duarteist prisons were exchanged in Tenancingo from where they rejoined our territories controlled by the FMLN. We have contacted one of our war fronts, and we are in direct communication with Commander Americo Araujo. The first question Commander, is could you explain the significance for our people and our revolution of this strategic victory that concluded on 24 October with the release of you and your companeros and the departure from the country of 96 companeros who were crippled during the war?

[Araujo] In the first place, we reiterate that this is a tremendous military, political, and diplomatic victory for the FMLN. This means that this successful operation expresses the high technical and fighting level all categories of our armed forces have reached. It also expresses the unity of actions by urban commands and special forces in general, with secret and local guerrillas, and with the strategic mobile forces. In addition, it shows the (?unity) of all the above-mentioned with broad sectors of the population.

The operation "Enough of Terror, Tortures, and Disappearances in the Prisons of the Duarteist Dictatorship" expresses the great qualitative advancement of our forces. It means we have reached the rearguard of the enemy and, as our commander general has sought, the war has already reached the highest leadership of the puppet dictatorship. All of the government resources were not enough to prevent or foil our operation. Meanwhile, this action reflects the very high degree of unity that the FMLN has reached. One single force would not have been able to reach such a tremendous success. The FMLN acted before, during, and after that operation as a single organization, as a single party, as a single army. In other words, as a single politico-military organization.

This action unmasked the inhumane nature of this dictatorship and opened contradictions between Napoleon Duarte, the Army, and the oligarchic sectors. This action has helped to uncover before the entire world, not only just before [words indistinct] the isolation of Napoleon Duarte. When the negotiations were being held, there was even talk about a coup d'etat. The U.S. State Department, through a spokesman, sent a clear message to Duarte, telling him that the United States never negotiated anything that endangered the U.S. national security, clearly referring to the Salvadoran case.

The negotiations and the exchange also reflect the vast capabilities of the FMLN to handle very complex problems. It shows the experience and the political capabilities of our cadres, the capabilities of the FMLN to [words indistinct] when it so desires. This exchange process also reflects that the FMLN has efficient executive cadres, even better than those of our enemy. It just has to be like that because we are undoubtedly the alternative to the current power in El Salvador.

It is interesting to point out that in spite of the initial repercussions of the capture of Mrs Ines Guadalupe Duarte and Miss Villeda by the FMLN--repercussions that some sectors pointed out as a very serious political mistake by the FMLN that was going to isolate it and would probably be the beginning of the FMLN defeat, etc, etc.--the way our general command handled this case and the renewed negotiations, before the national and international public and even those sectors who thought this was an FMLN mistake, the truth is that dialogue and negotiations have real possibilities in this country. The FMLN, as a basic part of the conflict, has made realistic proposals and precisely the dialogue and negotiations have real possibilities in the terms proposed by the FMLN.

This means that, while on the contrary the puppet regime is [word indistinct], the FMLN does have political representativity, and not only political. I wish to clearly establish that the FMLN is a nucleus or pole of power within our country. Furthermore, in the diplomatic field, the operation brought out in the open the many links that the FMLN has, the credibility and trust that the FMLN enjoys before many governments and international political forces. Diplomatic credibility was once again brought out in the open.

[Araujo] This means that the FMLN is not isolated because it is strong. It is not isolated because the FMLN is an alternative to the current power. It is a center of power in El Salvador. It is not isolated, basically because it is winning the war. If the FMLN were losing the war, then it would be isolated. This makes sense. In addition, within the complex Salvadoran revolutionary process, a new phenomenon with a political connotation emerged, namely, the mere fact that political prisoners managed to communicate with their companeros at the war fronts from their prison cells. Although apparently meaningless, I feel this fact indicates the FMLN's real progress.

Summing up, then, the release of the 26 companeros that formed the group exchanged for Ines Guadalupe Duarte signifies a great military, political, and diplomatic defeat for the Duarte government. The release indicated that any solution for the Salvadoran conflict can be attained only through the most ample participation of the FMLN.

[Araujo] It can be said that the treatment accorded political prisoners in Duarte dictatorship prisons is the most inhumane imaginable. Could imagine. Really, the human rights situation has not changed in the least since Duarte assumed power. Kidnappings, outrages, psychological and physical torture, humiliations, pressures, and threats are part of the routine treatment that political prisoners in our country receive. The regime's intelligence organizations have no qualms about subjecting prisoners to the cruelest tortures. They are forced to stay awake for weeks at a time. I feel this situation makes the human body's central nervous system react in a very strong manner and the prisoners experiences audio and visual hallucinations and suffers from extreme irritability bordering on lunacy. The prisoner feels he is [words indistinct] the deep conviction that Salvadoran political prisoners feel when they fall into the hands of the dictatorship is what helps them endure such punishment.

We could say that these torture methods are part of the innovations brought by Napoleon Duarte. Undoubtedly the drafting of this new torture system, psychological torture which is as cruel as physical torture, has had the participation of psychologists, psychiatrists, and surely psychophysiologists, in other words, experts in the level of molecules and neurons, which are complex systems. Undoubtedly only the U.S. Government is capable of elaborating such cruel and refined torture systems to place them at the service of the pro-imperialist regime of Napoleon Duarte. The humiliation inflicted on the political prisoners is really contemptible. The prisoners are kept bound for weeks without being allowed to sleep, subjected to other types of tortures, hooded, subjected to electric shock treatment, etc., etc. We former political prisoners are the best witnesses in the country to the type of treatment practiced by this regime on the persons who fall prey to the repressive organizations. The missing persons in this country today are the mute witnesses. The missing persons are the living expression that this regime is not lagging, we might say, in the brutality of the regimes such as that of Pinochet of Chile or of Botha in South Africa. The missing persons express the barbarity, decadence, and desperation of this regime. The missing persons are the sign of the defeat of this regime.

On the other hand, we could state as an example the treatment afforded political prisoners by the FMLN. As an example, we can cite the recent case of Mrs Ines Guadalupe Duarte. Mrs Guadalupe Duarte is witness to the good treatment and respect shown to her as a human person; respect for her integrity. This has caused Napoleon Duarte to force Mrs Duarte not to make any press statements, not to give any public appearances to give testimony of her experience and humane treatment afforded by the FMLN. Last night, in fact, Mr Castillo Claramount was referring to an alleged dichotomy between terrorism and humanitarianism. In fact, the state terrorism of the Duartist regime, of the dictatorship that is also represented by Mr Castillo Claramount, that state terrorism that is practiced daily is the antithesis of all humanism, a humanism that exists daily in the ranks of the FMLN.

[Question] Commander Araujo, can you tell us about the conduct of the Salvadoran patriots in the prisons of the dictatorship and what the morale of our combatants in the prisons of the regime is?

[Araujo] I can say that the prisons are really a test, a hard test for any revolutionary who eventually falls into the hands of the enemy. First of all, it is a test for the revolutionary. The morale of the revolutionary in the hands of the enemy is similar to the morale when one is in combat, convinced of the justness of our cause, totally certain of the victory of the revolution, and we might even add with the same historic faith which is the pillar to uphold the morale of the revolutionaries in the hands of the enemy. The suffering of our peoples, the tortures to which the prisoners are subjected do not intimidate them, but on the contrary, fill the prisoners with indignation and a deeper hatred of the enemy. The prisoners are always thinking of the combatants fighting in the cities, in the mountains with weapons in their hands, thinking of our heroes, and trusting in our commanding general, with the example of the struggle being waged by the entire progressive humanity against the common enemy, the example of the struggle of all the peoples of the world, principally of our own people, the example of those countries that are already liberated from the yoke of exploitation, thinking of the liberty for which we are struggling, thinking of our banner, our ideals, our principles--that is the force, the fountain that generates strength to overcome any weakness the revolutionary may experience at the hands of the enemy, and to morally defeat that enemy.

[Question] Commander Americo Araujo, the companeros of the security forces of Radio Venceremos are keenly listening to your conversation with us, and they want to ask you something. They want to know about the decision of the 18 companeros who were in the Duarteist prisons, who decided to join the war fronts of the FMLN. Also, that note brings a last question which reads: Commander Araujo, we would like you to tell us how you felt when you were reunited with our combatants in Tenancingo last 24 October?

[Araujo] The moment we were reunited with our fellow combatants in Tenancingo was a beautiful moment, unforgettable, and filled with intense emotion.

The decision to rejoin the fronts is not an act of exceptional conduct of the Salvadoran revolutionary either in us or in the different companeros who arrived in Tenancingo. No, that is the norm. The political prisoners in general, including those who do not have any militancy, including the vast majority of prisoners in the Salvadoran prisons, make plans to rejoin the war fronts when they obtain their freedom. It was logical for us to continue the tasks left pending when we were captured.

[Question] To conclude this interview, Commander Americo Araujo, our last question is: In what condition have the latest victories achieved by the FMLN in the military, political, diplomatic field left the Duarteist dictatorship?

[Araujo] The latest revolutionary victories have created a very difficult situation for the dictatorship and for Napoleon Duarte himself. The contradictions within the government are profound and difficult to overcome. The isolation of the regime is obvious. Its decomposition and destabilization are increasing. Duarte is on shaky ground. These last victories, especially those in October, as well as the great FMLN victory in La Union, with the operation

against [word indistinct], actions staged in Chalatenango, San Vicente, (Nejapa), which left 825 casualties during October, are evidence of the imminent defeat of the dictatorship.

The only recourse left to Napoleon Duarte is the intervention of the Yankee troops. However, the people are advancing; the workers in the cities are rising up courageously against the Duarteist demagoguery and terror. The workers, peasants, state workers are inflicting defeat after defeat on the Duarte regime. The FMLN expresses support of those struggles, of the struggle of our people, of all the popular sectors. We are firmly convinced that all of our people, will rise as a single man, as an invincible wall with the FMLN as its vanguard against the aggressor. We will defend our sovereignty, we will rescue our national dignity, which has been sold by Napoleon Duarte and his party. The latest victories signify, in short, that the FMLN, the revolutionaries, and our people are already on the path that is a shortcut to the final victory.

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CSO: 3248/76

GUATEMALA

PDCN CONSIDERING SUPPORT OF DCG'S CEREZO

PA111722 Guatemala City Cadena de Emisoras Unidas in Spanish 0050 GMT 9 Nov 85

[Text] The executive committee of the Democratic Party of National Cooperation, PDCN, considering that the participation of the rank and file in the decision making process of a democratic party is necessary, has been carrying out consultations that will allow it to reach a decision regarding the party's participation in the second round of elections. The executive committee states that 80 percent of the secretary generals consulted, following a study of the proposal, have shown an inclination toward supporting the Guatemalan Christian Democracy [DCG]. They believe that the country must take the path of work and tranquility that will allow it to overcome the current crisis.

The secretary generals have also reiterated their own democratic nature and their support for the national executive committee as the sole spokesman, now that the 3 November elections are over. They, therefore, support the DCG and its presidential candidate, Vinicio Cerezo Arevalo, for the second round of elections to be held on 8 December.

DCG presidential candidate Vinicio Cerezo Arevalo, during a telephone conversation with this station a few minutes ago, said that he accepts the support of 80 percent of the rank and file of the PDCN, the party that nominated Jorge Serrano Elias as its presidential candidate. However, Cerezo Arevalo said that he will accept this support without conditions because this support must be based on the DCG's government plan, which is committed to the people. In conclusion, Cerezo Arevalo said that with the support of 80 percent of the PDCN's rank and file and secretary generals, the people will become more aware that we are reaching the crowning point of the beginning of a democracy.

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NICARAGUA

TINOCO INTERVIEWED ON CONTADORA PROCESS

PA061456 Managua Sistema Sandinista Television Network in Spanish 0330 GMT
5 Nov 85

[Interview with Nicaraguan Deputy Foreign Minister Victor Hugo Tinoco by Ivan Garcia on "Today's Topic" program--live]

[Text] [Garcia] Good evening, dear listeners. Since October, the topic of Contadora has taken on importance as it was then that final negotiations began for the signing of the peace document proposed by the Contadora Group to the Central American countries. In order for him to give us an expanded view of the status of the peace negotiations through the Contadora Group, we have invited compañero Victor Hugo Tinoco, our deputy foreign minister, who has worked very closely in the negotiations on behalf of our Foreign Affairs Ministry.

We would like to go back during our conversation to September 1984 and would like to ask you, Victor, to tell us what has happened since then, when the Contadora Group submitted the first peace proposal, which was accepted in full by Nicaragua and rejected by Honduras and El Salvador with backing from the United States, until September [as heard] because, if my memory serves me correctly, it was, pardon me, on 7 October when the final stretch, so to speak, of the negotiation began and a 45-day deadline was set?

[Tinoco] Ivan, as you have correctly stated, it was in September 1984 when Contadora submitted, formally and in writing, to the Central American presidents its proposal, which consisted of a document for peace and cooperation in Central America. This proposal was submitted on 7 September 1984 and Nicaragua officially and publicly announced its political will to accept that document on 21 September. It is important to stress one thing in this connection. Nicaragua had some misgivings about certain aspects of the document, particularly in regard to certain aspects involving internal political issues because, as we know, they fall within the purview of the sovereignty of states. However, although we had some difficulties, we thought that an effort should be made to achieve peace. We set aside these objections and publicly announced our willingness to accept that document and to sign it immediately without changes or objections so we could immediately undertake the task of solving the Central American problem.

However this was impossible. The other party--actually rather than several parties, there is only one other party; namely the Central American countries, specifically Honduras and El Salvador, and the United States, which although it is not a party in the negotiations, is inevitably present in any settlement--did not accept the document. Even when it appeared that they were willing to accept it, in October 1984--1 month later--they issued the so-called Tegucigalpa Document, that was drafted after the so-called Tegucigalpa bloc, which includes El Salvador, Honduras, and Costa Rica, held consultations with the United States. In that document, those countries proposed a number of reforms and modifications to the document which in real terms imply a rejection of the document.

It must be pointed out that when the Contadora foreign ministers proposed the September document, they said the negotiation process was over and that they would accept only stylistic, or minor modifications. It was in that spirit that Nicaragua suggested refraining from making any modification, even if it was a minor one, in order to sign the document immediately. However, the Tegucigalpa bloc's document of October 1984 contains not only stylistic, but substantial modifications that respond to the U.S. positions and interests. These include the rejection of a ban on all maneuvers, the rejection of Contadora's proposal on advisers, and the like. That placed Contadora in a difficult position, and forced it to begin early in 1985 a new period of negotiations and consultations to see if it was really possible to make some stylistic modifications to the document without introducing changes in its substance.

Contadora's technical teams met between February and April to discuss a number of areas. Nicaragua insisted on the need to refrain from introducing changes in the substance of the document, because as it stood it balanced the various positions. However, the other countries insisted on introducing such changes in the document to bring it closer to their positions--or better said, closer to the positions and interests of the United States, and farther from the positions, interests, and security needs of Nicaragua.

During its 12 and 13 September 1985 meeting, Contadora decided to present a new document as the basis for negotiations. This was presented to the Central American foreign ministers by the Contadora foreign ministers on 12 and 13 September in Panama. Most of the document was approved, while another remained subject to discussion because it had not been discussed in depth during the earlier meetings. The topics that remained pending are the ones that Contadora decided to discuss in the series of meetings that began with one on 7 September, and another on 17 September.

[Garcia] Focusing on this last phase of the negotiations, on 12 and 13 September the revised document was presented to all the Central American foreign ministers. It contained 100 points, 97 of which were approved by the Central American foreign ministers and 3 of which are pending. These are the three points which are supposedly to be negotiated within the current 45-day deadline given to reach a consensus. What are these three points that are being discussed or that remain pending after that meeting of Central American foreign ministers?

[Tinoco] Instead of speaking of 100 points in the Contadora document, since these are in effect its clauses, it is easier to understand this from the viewpoint of topics. The Contadora document is divided into several topics. The document begins with an introductory section, or preamble. This is followed by a section on overall commitments and principles of international law. Then comes a part on commitments on political, social, and refugee affairs, followed by a section on security, including all kinds of security problems--maneuvers, advisers, bases, troops, installations, levels of forces in Central America. Then there is a section on economic commitments, and finally another on protocols. These are the alleged instruments through which extraregional countries that have interests in the areas will promise to respect the document. Through these protocols--among other things--the United States would make a commitment. Those are the sections of the document.

During the meeting of the nine foreign ministers, including the five Central American and four Contadora foreign ministers, on 12 and 13 September, all the portions, except the security topics, were approved. The introductory portion, the general principles, economic and social matters, were approved. However, the security topics, that is, the really important topics, remained subject to discussion.

As subdivisions of that topic, three specific areas were defined: military maneuvers, arms race or military development of the countries, and verification and control. There is another topic that relates to the duration of the commitments.

As you can see, there are three topics. But these are not three points; they are the core of the document. Therefore, the most important part of the document is still pending--not on an agreement among Central Americans, because Nicaragua already accepted it, but on the approval of the other Central American countries and the United States. Nicaragua had accepted since September of last year the Contadora proposal, especially the topics on maneuvers and the arms race.

[Garcia] Why don't we give our viewers more information on those three topics that are the core of the document? I understand that there is a disagreement for example with regard to the military maneuvers in which not only Honduras and El Salvador are involved but also United States troops. It would be good if we discussed the points, the disagreements, and the position of Nicaragua and that of Honduras and El Salvador who are the most opposed to the Contadora proposal which Nicaragua accepted from the beginning. That proposal called for the suspension of military maneuvers, reducing them to a specific number a year. It also called for the immediate application of the peace agreement while Honduras, El Salvador, and even Costa Rica proposed that it should first be approved by their legislatures. You can help us provide more details about those points. What does the document propose and what are the points in which there is disagreement?

[Tinoco] In reality, there are three positions. There is the position outlined in Contadora's basic proposal. There is the position of the three

Central American countries, basically Honduras, El Salvador, and to a lesser degree Costa Rica. There is also Nicaragua's position on those topics.

Let us talk about the topic of international military maneuvers. Let us first talk about Contadora's position. In last year's document, Contadora proposed that the international military maneuvers--in other words, all the maneuvers that the United States carries out in Honduras--be immediately prohibited once the document is signed. That was the proposal that Nicaragua supported last year. Now then, the new document presented by Contadora includes a variation of its original position that to some extent is somewhat closer to the position that the other Central American countries and the United States have been maintaining. In the new document, Contadora no longer proposes the immediate prohibition of the maneuvers at the time of the signing. Instead it proposes some regulations, in other words, some limits on the maneuvers that the United States can carry out in the region. This means acceptance of maneuvers but with some limits. It also proposes that the prohibition take place in a second subsequent phase when some agreement is achieved among the Central American countries with regard to limits on the number of men and weapons. That is the latest Contadora position.

Nicaragua's position is to return to the proposal made by Contadora in September of last year. In other words, military maneuvers should be immediately prohibited at the moment the document is signed because they are a direct threat against Nicaragua. That is Nicaragua's position.

The position of Honduras and El Salvador is that they reject this prohibition of the maneuvers. They do not want any prohibition of maneuvers. They want the continuation of maneuvers.

Those are basically the current positions. Therefore, it is obvious that the position of Honduras and El Salvador is the U.S. position. It responds to the interests of the United States that wants to continue carrying out its maneuvers and does not want them prohibited even though they are a destabilization factor and a constant threat against Nicaragua. The United States itself has stated that the maneuvers are warnings to Nicaragua.

[Garcia] Now then, there are two other interesting points that we should also expand. These are the issues of arms control, that you mentioned, and the controls over the security policy that is also mentioned in the document. It seems that Honduras and El Salvador, and therefore, the United States are opposed to including these points in the document.

[Tinoco] That is right. As I said, the first topic is the maneuvers. The second topic still to be discussed to define the positions is the military development of the countries or the problem of the arms race. The problem is the following. In both the September 1984 and this year's document, Contadora maintains one position and one concept. That is the concept of reasonable balance of forces. Contadora maintains that the criterion that should be used to define the level of forces, of the men and weapons that each Central American country should have, is the concept of reasonable balance of forces

and not the mechanical concept of my balance. Since September 1983, Honduran Foreign Secretary Paz Barnica has tried to get Contadora to buy or to accept the concept of mechanical military balance among the countries, in other words, that Nicaragua has to have the same number of men and weapons as Honduras and El Salvador; in other words a one to one comparison. However, at that time Contadora pointed out that this was not an adequate concept because each country has different security problems and faces different external and internal problems and therefore the security needs of each country are different. It coined or accepted the concept of reasonable balance of forces. That concept was included in the first document of September 1984 and in this new proposal of September 1985. Therefore, that is Contadora's position.

Nicaragua's position is that it considers that concept of a reasonable balance of forces as correct. I reiterate that this concept essentially bears in mind that each country has different security problems. Nicaragua has security problems that are not faced by other countries. They do not have the problem of a counterrevolutionary force maintained, organized, and armed by a superpower, and, in addition, a superpower that refuses to desist from the use of force against Nicaragua and that refuses to publicly state that it will not invade this country. Therefore, Nicaragua has a special security problem and therefore special security needs. No other country in Central America has that problem. This then must be borne in mind in defining the levels of forces and in the concept of a reasonable balance of forces.

The position of Honduras, El Salvador, and even Costa Rica regarding this is to oppose not only Nicaragua, but also Contadora with regard to a reasonable balance of forces. They say that the concept should be a one-to-one military balance. In other words, that the forces that Nicaragua has must be the forces that Honduras has and the forces that El Salvador has. They completely ignore the political reality that Nicaragua not only faces the problem of a counterrevolution, but the problem of potential military alliances among these same Central American countries and even more so with the support of the United States. Without claiming that Nicaragua will have resources to compete with the United States, what we are stating is that Nicaragua has a special security problem. As long as the United States does not desist from the aggression against Nicaragua, this must be borne in mind in the case of Nicaragua.

[Garcia] Let us turn to this 45-day process. What would happen if at the end of this 45-day period during which Contadora is gathering the consensus of the five countries, Honduras, El Salvador, and Costa Rica continue to maintain their closed position against the signing of a peace document? What happens if the 45-day deadline expires? Will the negotiations be suspended? What happens?

[Tinoco] The Contadora process is undergoing a quite difficult situation because after almost 3 years of negotiations--it will be 3 years in January 1986--we find that there is a lack of political will in accepting fundamental concepts in Contadora. These include the prohibitions of any foreign presence in the Central American region, including military maneuvers; the concept on a

reasonable balance of forces; and nonintervention in the domestic affairs of states, which means a halt of the aid to any armed group attacking a government, and a halt in the support to the counterrevolution. All of those concepts continue to be questioned by the United States through the other Central American countries. That is a serious problem. What will Contadora do? I think that Contadora will continue to make a negotiating effort. The truth is that this will no longer depend on Contadora, but on the political will of the United States. The reality of these countries and this region is that there will be no peace agreement and Contadora will not obtain results as long as the United States does not have the political will to seek a peaceful solution in Central America. To seek a peaceful solution in Central America means to seek a political understanding with Nicaragua. To date, this political will by the United States is not evident.

[Garcia] Now that you bring this up I would like to mention the following. On several occasions our leaders have said that peace will not be achieved in Central America as long as the United States does not take specific steps to show a desire to achieve peace in Central America. The WASHINGTON POST recently revealed part of a State Department document indicating that the U.S. Government plans to cause a crisis in the Contadora Group and the Central American negotiations at this time. How is the United States preventing the signing of the peace document and the achievement of peace in Central America?

[Tinoco] Facts or evidence exist which show the lack of will on the part of the United States to find a political solution to the Central American problem. They precisely show the constant U.S. boycotting of the peace efforts in Central America and therefore of the Contadora process. In truth, the United States has been working to boycott the Central American peace process in two ways: through actual actions and through the diplomatic path.

For example, we see the following facts through the path of actions. While we have been negotiating, Contadora has been asking through various communiques that the countries with links and interests in the region--this means among others the United States, Cuba, and other countries that have links in the region--refrain from carrying out actions that reduce trust among the Central American countries. But what does the United States do in practice? It does just the opposite.

The United States adopts a number of measures and takes a number of steps that are aimed at creating distrust among the Central American countries. For example, it promotes military maneuvers on the Nicaraguan borders and those maneuvers cause problems. That country continues to support counterrevolutionary forces. At the time, it mined Nicaraguan harbors. In its daily policy, in its confrontation policy with Nicaragua, the United States is in fact boycotting and blocking the progress of Contadora day after day because it continues to create an atmosphere of distrust in the Central American region and to constantly threaten our country.

There are an infinite number of other cases. To cite a specific example, on 10 January 1985 Contadora issued an official communique for the first time

supporting bilateral talks between Nicaragua and the United States in Manzanillo. It stated that this is a very important dialogue in order to achieve progress in the search for a solution to the Central American problem, and called on the U.S. and Nicaraguan Governments to further the Manzanillo talks. That was an official communique issued by the four Contadora foreign ministers on 10 January 1985.

However, on 17 January, only 7 days later, the United States publicly announced that they would suspend the Manzanillo talks. This demonstrated that in practice the United States is doing the opposite of what Contadora is suggesting. In one of their most recent meetings, the Contadora foreign ministers again recommended the resumption of bilateral talks between Nicaragua and the United States. Immediately after this, during a meeting with Foreign Secretary Sepulveda in Mexico, Shultz said that his country is not willing to resume bilateral talks with Nicaragua. In other words, in practice the United States, with its warmongering policy to destroy the Nicaraguan revolution, is undermining the Contadora process. This is at the level of real every day life.

Now at the diplomatic level, the United States has been implementing a number of maneuvers to boycott the Contadora process and to prevent a political agreement between Central American states because that country believes that the achievement of a political agreement is equivalent to giving life and legality to the Nicaraguan revolution. Now, how do they boycott at the diplomatic level? First, by applying pressure on Honduras and El Salvador to assume inflexible, hardline positions within the negotiating process itself to prevent any agreements. What kind of positions? Positions such as the one against the prohibition of maneuvers. Although Contadora made a concession--the first proposal was to prohibit maneuvers upon signing--the group only proposed regulating the maneuvers and prohibiting them later. However, the United States did not accept even that concession; (?neither did) Honduras and El Salvador. They again voiced their opposition to a prohibition. That is how to diplomatically boycott the Contadora process: by prompting Honduras and El Salvador to maintain inflexible positions to prevent progress and a rapprochement.

In addition, the United States is also trying to strip the Contadora process of its mediation role at the diplomatic level. In other words, it is trying to discredit the nature of the Contadora Group. Contadora emerged as a Latin American instrument to mediate in the Central American conflict and to obtain a political commitment from the United States. However, the United States is exerting pressure on the Contadora Group countries through diplomatic activities; it is exerting pressure on Mexico, Panama, Colombia, and Venezuela so that these countries will cease to assume mediation positions and support U.S. positions instead. For example, it pressures the Contadora countries to systematically change the Contadora document to make it more closely coincide with U.S. positions. In other words, via diplomatic means and via the use of pressure it is trying to discredit the Contadora role, which is a mediation role, and transform Contadora into a U.S. instrument. This is a permanent U.S. plan that is reflected in its daily pressure. This is actually a

boycott, a real obstacle to the Contadora effort. I believe this position is a basic problem in the negotiation. Two questions arise from this position. The first is related to a statement made by Dr Sergio Ramirez during a recent visit to Contadora support group governments that it is impossible to draft a document that could serve as a peace agreement even when such a document fulfills juridical requirements as long as the United States does not commit itself to respecting such an agreement.

In turn, two other aspects are apparent there: 1) in the face of the situation and the U.S. attitude, what possibilities are there within the Contadora Group for achieving an agreement and 2) assuming that the Contadora document were signed after a consensus is reached, what mechanism would ensure that the United States will respect its commitment to Contadora and the Central American countries?

Dr Ramirez' statement and the ideas you are discussing constitute the core of the issue. Within Contadora we Central Americans are negotiating three objectives that will not be reached without a political decision and will on the part of the United States because it is utopian to think that there could be an agreement between Central Americans while the United States continues to wage a war against Nicaragua.

Therefore, it is obvious that the United States must commit itself to coexist with and respect Central America and the Nicaraguan revolution. That is why the formula of the additional protocols has been conceived in Contadora. The additional protocols are documents added to the Contadora document through which countries like the United States pledge to respect all these commitments and principles established in the document.

The basic proposal we have made, especially at the last Contadora meeting, is that since the United States has a very specific policy, a political and military attitude of aggression against the Nicaraguan revolution, the protocol establishing the U.S. commitment to respect Central America and not to intervene in the internal affairs of Central America and much less of Nicaragua, must be very clear. We cannot permit the U.S. commitment to be intangible or vague. The United States must clearly pledge to first halt the war of aggression against Nicaragua and to halt the financing and support of the counterrevolutionary forces. Second, it must pledge not to repeat this policy in the future. Such a clear U.S. commitment would give Nicaragua the conditions or the political space to enable us to commit ourselves in the Contadora process to the control and reduction of armaments and military troops. Why? Because if Nicaragua has developed its military machinery and armed the people it was precisely because there is a U.S. aggression against our country, and every day it increases more and more. Every month and every semester \$20 million, \$30 million more are given to the counterrevolution. In addition, the U.S. Congress today approved U.S. satellites giving intelligence support to the counterrevolutionary forces. They continue to give food, weapons, everything that the counterrevolutionary forces need. Therefore, we have had to arm ourselves. The Nicaraguan people have had to arm themselves in the militias, in the Patriotic Military Service, and the reserves to defend

themselves from that aggression. Now then, in order for Nicaragua to disarm itself, what led to Nicaragua's military development must first disappear. The aggression must disappear. That has been Nicaragua's basic and main proposal. Nicaragua has stated that we are willing to control and to reduce, if possible, Nicaragua's military development but the United States must first halt the war against Nicaragua and secondly pledge not to repeat this aggression in the future. That is the fundamental problem.

Now then, the most important question is: Is the United States really willing to stop the war against Nicaragua and not to continue that policy of financing the counterrevolutionary forces in the future? Unfortunately, to date there is no signal in this regard.

[Garcia] I will ask you another question regarding the political will that you just explained. In his recent trip to the United Nations, Commander Ortega proposed to Secretary General Perez de Cuellar the possibility of a meeting with President Reagan to discuss peace in Central America. This proposal was rejected by Reagan. In his speech to the United Nations, President Reagan did not specifically refer to the Central American problems. Rather, he avoided addressing the problem of peace in Central America. This gives you an idea about the U.S. Government's policy on Central America. Bearing in mind this situation, what prospects do you see for the work being carried out by Contadora? How are we to understand the role that Contadora is playing?

[Tinoco] Reagan's latest speech, his speech to the United Nations on 24 October, is precisely a clear demonstration of the U.S. policy in the region, its position on Contadora, and the possibilities of an agreement in the Central American region. Contadora made its proposal in September 1984 and its second proposal in September 1985 in which it proposes whether the countries have to disarm themselves, etcetera. It proposes as a first step from the moment of signing to stop the support of the armed forces that are attacking any government in the Central American region. This means stopping the U.S. support to the counterrevolutionary forces in Honduras. While Contadora proposes that this be the first step, Reagan proposed just the opposite in his 24 October UN speech. First of all he stated that they will continue supporting the counterrevolutionary forces and that while they maintain that support, the Nicaraguan Government should agree to talk with those mercenaries who are financed, armed, and organized by them and that afterwards there could be talks. They spoke of a dialogue between the United States and the Soviet Union, etcetera. But their first proposal is the same old U.S. proposal that while they continue to arm and develop these counterrevolutionary forces--in reality these forces are Reagan's army and Reagan is the top counterrevolutionary leader--they want us to speak not with Reagan as Ortega proposed but with their puppets who are the Somoquist guardsmen or the Caleros [Nicaraguan Democratic Force leader Adolfo Calero] who are going around with their pantomime.

Therefore, the fact that Reagan said in his speech that he will continue supporting the counterrevolutionary forces while Contadora is proposing a

document whose first step calls for a halt to that support shows that the current U.S. Administration is not really willing to find a negotiated political solution to the Central American problem. That will does not exist, and therefore the prospects and possibilities of a peaceful solution in Central America are really unlikely and therefore the prospects for Contadora's work are unlikely.

That is why we have maintained for several months that what Contadora should do is seek a dialogue with the United States to try to persuade the United States that it should allow (?the necessary political space) to achieve a political understanding in Central America.

[Garcia] In view of that situation the U.S. Government presents, as far as the recent state of emergency decree in Nicaragua is concerned, Commander Ortega mentioned during his recent speech at the United Nations that Nicaragua would be willing to lift the state of emergency if the United States put an end to the aggression. Meanwhile, other sectors within the country have handled this as if Nicaragua had placed the emergency decree as a point of negotiation, let us say, as a position of force. We will do this, or we will lift this, if the United States puts an end to the aggression. This must have had some repercussions in Contadora. I think it would be good to explain how the emergency decree was viewed by the Contadora Group, and what your opinion is about the emergency decree, taking into consideration the position that you have just explained to us about the United States with regard to Nicaragua and the rest of mankind?

[Tinoco] The emergency decree has not been discussed by Contadora, as this is an internal measure. However, I might say that there is a high level of understanding among the Contadora countries on the reasons that forced Nicaragua to define certain restrictions, some of the constitutional guarantees in Nicaragua, precisely in order to face this situation of war. Furthermore, the international community has been able to view the fairness of the Nicaraguan measure, precisely as a result of the issues brought up by Reagan during his speech on 24 October at the United Nations. In his speech before the UN General Assembly Reagan went as far as saying: I am continuing with the war against Nicaragua, disregarding Contadora and the rest of the world. In other words, this ratified the need for the Nicaraguan revolution and people to adopt certain legal measures in order to provide the state the necessary instruments to defend revolutionary power in the face of the internal aggression, the various forms of manipulation of the representatives of imperialism inside the country.

I would say that the peace efforts of Contadora have not had any repercussions. There is a high level of understanding. Of course, this creates some concern and doubts on the significance of these emergency measures, but as it becomes clear that the emergency is a necessary answer to the aggression, then there is a high level of understanding.

I would say that the U.S.'s stubborn attitude of not accepting the Nicaraguan revolution, of refusing to say that it has no aggressive plans against

Nicaragua, of refusing to rule out the use of force in Nicaragua, all of this reflects an ideological attitude, not a haughty one. The problem is that Nicaragua is experiencing a moment in the history of not only Central America, but of mankind, when there is a U.S. Government that is ultraconservative and does not have the slightest respect for international law, and merely goes by its darkest interests of imperialism, not of the U.S. nation.

It has not hesitated to pull out of the International Court of Justice, to forget all commitments to accept the International Court of Justice, it has vetoed resolutions from the UN Security Council, and many other actions such as mining the ports, which is something the International Court of Justice condemned. The U.S. Government has also disregarded the International Court of Justice disposition of 10 May 1984 urging the United States to put an end to its aggression.

They have disregarded international law and public opinion. The Reagan administration is ultraconservative, with certain hues and stands that border on fascism in its attitudes concerning the defenseless peoples, such as the Central American peoples (?including) the Nicaraguans. The international community and pressure has not affected it at all. That is the tragedy of the political moment in which we are living. This is the tragedy of not only the Central American crisis, but it is the tragedy of the world because it is the same attitude in the face of more strategic problems, the nuclear problem, and so forth.

[Garcia] Well, Victor one last question to conclude the interview, as time is running out. According to what we have been talking about, it seems to me that we are experiencing a difficult moment for peace in Central America. I would like to ask you what you think we Nicaraguans should do in view of the situation that you have set forth, according to the current situation in Central America, and how is the United States preventing us from doing this?

[Tinoco] Look, the future of Nicaragua, the defense of this revolution, the development of the revolution in Nicaragua basically depends on the Nicaraguan people. Actually, the Nicaraguan people are paying a high price for their determination to be independent, to be sovereign, to be self-determined, to develop internally their own political and social project. The United States is not used to this type of independence and autonomy in what they considered to be their backyard, and they are therefore waging this tremendous war of aggression against our people. To this effect, just like the Nicaraguan people--the workers, the intellectuals, all social, nationalist and patriotic sectors--carry out the productive tasks, in that same manner, the defense of this revolution in all fields and the future of this revolution rests on the results of diplomatic efforts, for example, on what the Contadora Group might do, or what the United Nations might do. Our future rests on our capacity as a nation to defend our project, to carry out our project, and to make it advance.

In that sense, it is a fact that this revolution is going to be defended, and it is going to survive that (?destructive attitude) of the Reagan

administration against this revolution. The organizations of the people are going to defend this revolution. We must be organized in all forms, in all organizations, in the militias, in the Patriotic Military Service, the reserves and so forth. The political, diplomatic, international tasks complement the defense efforts by the people, in addition to the support by the peoples of the world who encourage these efforts of the Nicaraguan people. They give the Nicaraguan people their support in various forms, be these political, economic, diplomatic and so forth.

We will continue working with Contadora. We will continue making efforts to see if it is possible to find points of agreement, but it all depends--as we said before--on the political willingness of the United States. We will continue to insist on the need for a bilateral dialogue between Nicaragua and the United States in order to mend our differences, the mutual complaints there may be. We are willing to listen to their points of view, regardless of what these may be, that the United States has concerning Nicaragua, and seek a political understanding between our two countries. A political understanding between Nicaragua and the United States will surely facilitate a regional agreement. If this political understanding between Nicaragua and the United States is difficult, not to say impossible, then, we should work hard toward a regional agreement. We know that, and we understand that, and that is why we will continue insisting, offering the United States our willingness to seek, with the U.S. Administration, a formula for coexistence, a modus vivendi. We will continue working in Contadora, but mostly these efforts will continue being the complement of the efforts of the Nicaraguan people.

[Garcia] Well, Victor, we thank you for the opportunity you have given us for this interview on the issue of Contadora which is of utmost interest for our people. We wish to announce to our television audience that we will continue to have this type of program on television. Shortly we will announce our next guest. We think these interviews are very interesting, as they give us an idea of the problems we are enduring, how to confront them, and so forth. We thank you for your attention, and good night.

/9599

CSO: 3248/79

NICARAGUA

COOPERATION AGREEMENT SIGNED WITH USSR

PA102252 Managua Sistema Sandinista Television Network in Spanish 0200 GMT
8 Nov 85

[Text] The USSR and the Labor Ministry have signed an agreement, providing support to the Nicaraguan cooperatives movement in various productive fields.

Labor Minister Benedicto Meneses attended the ceremony during which the USSR-Nicaraguan cooperation agreement was signed by [name indistinct], director of the board of directors of the Soyus Center, the main consumers cooperative of the USSR, and David Orozco, director of the National Directorate of Cooperation of Nicaragua.

As part of the agreement, cadres will be trained in the USSR on all types of cooperatives, except for the agricultural cooperatives, which will continue to consolidate the organization of the cooperative movement.

This agreement also opens possibilities for Nicaragua to enter the international cooperative alliance of the United Nations.

[Begin unidentified speaker recording] The cooperative movement in Nicaragua is called upon to carry out important tasks within the construction of the new Nicaraguan fatherland, free and democratic, and we are sure that the Soviet cooperativists will support the Nicaraguan cooperative movement. [end recording]

[Soviet name indistinct] said that Nicaragua is paying a high price for its independence with victims of the bloody terror of the mercenaries, but there is not a force that will make the people of Sandino deviate from their chosen path.

[Begin unidentified speaker recording] We wish to state again our agreement, friendship, and solidarity with your just struggle. We are completely sure that the Nicaraguan people will win. [end recording]

/7358
CSO: 3248/78

NICARAGUA

CARRION SPEECH ON ANNIVERSARY OF FONSECA'S DEATH

PA091542 Managua Domestic Service in Spanish 0010 GMT 9 Nov 85

[Speech given by Commander of the Revolution Luis Carrion Cruz, Nicaraguan deputy interior minister, at ceremony to honor the ninth anniversary of the death of Carlos Fonseca, founder of the FSLN; place not given--live]

[Excerpts] The FSLN is Carlos Fonseca's organization. It was founded on blows, sacrifice, and courage. It was built by the best men and women who armed themselves with an indestructible combat morale. This is what we have been taught, this is the way we are, and this is the way we will continue to be. It is true, every organization has its lazy members and in this sense the FSLN is no exception. But when we see the courage of the soldier of the Sandinist People's Army or of the Interior Ministry; when we see the peasant who is also a member of the militia, who today sows the land and tomorrow picks up the rifle to confront his enemies; when we see the hard worker, who amid difficulties sacrifices himself to defend and maintain national production; when we see the young men and women who, at the call of the homeland, abandon their classrooms and go to combat or to defend production; when we see a technician or a professional who, for the love of the homeland, accepts a lower standard of living, and in many cases places his life at stake to fulfill his duties; when we see the Nicaraguan woman overcoming her social isolation to actively join in production, combat, and any other task as demanded by the revolution; when we speak with the trade union and peasant leaders in the most remote regions; when we speak to the teachers and members of the Sandinist Defense Committee; when we speak to all of them to these Sandinists who sustain the fatherland; we can feel the steel under their skin and see the trust shining in their eyes. It is then that we can once again see that the FSLN is Carlos Fonseca's organization, Sandino's heir. We once again see that Carlos Fonseca lives and works; that Carlos Fonseca lives and triumphs in the ranks of the Nicaraguan people.

Immediately following the victory of the people over the Somozist dictatorship, the FSLN, its members, and all the people, filled with Carlos Fonseca's spirit and dreams, undertook the task of working for the future and happiness of the Nicaraguan people. Our main actions were within the framework of this desire. We launched ourselves into organization of the extraordinary literacy campaign in which our youths joined the peasants and workers to decrease illiteracy to 12 percent; we immediately implemented an agrarian reform to give land to

thousands of peasant families who in the past were denied this right; we put forth extraordinary efforts and achieved a spectacular expansion of the health and education services for the people; we gave back to our country its natural resources; in short, we immediately undertook the task of satisfying the demands of the people which had been historically postponed by the treacherous bourgeoisie and by North American imperialism. It is not strange that this should happen, this is what the FSLN struggled for and this is what it continues to struggle for. [3-second break in transmission]

But at the same time that the people and its vanguard were putting forth efforts to rebuild the homeland that had been stained, looted, and impoverished by so many years of imperialist domination and Somozist governments, the aggressions of the North American imperialism began in an attempt to crush our recently achieved independence, to destroy the new people's power that was rising from the ruins of the dictatorship.

Since then, and without a moment's rest and with an immoral blindness, the U.S. Government has maintained a systematic aggression against the Nicaraguan people; an aggression of the biggest imperialist power in the world against a small country with barely more than 3 million people and with an inheritance of backwardness and underdevelopment. One of the first actions of the U.S. Government was to organize, finance, and direct a mercenary army made up of thousands of men who, until now, have received more money and military equipment than the Somozist National Guard received in its lifetime. The U.S. Government imposed on Nicaragua an aggression that has lasted more than 4 years. Since that first offensive launched in the Atlantic area of the country in December 1981, the war against the Nicaraguan people has not stopped.

However, the aggressions have not been limited solely to military actions. They have also organized all sorts of actions to sabotage the national economy; from the acts of direct terrorism by the CIA's specialized groups to the trade embargo implemented early this year. It promotes and carries out all sorts of actions aimed at political destabilization through its agents and allies within Nicaragua. It has spared no efforts or means to try and achieve its objective of destroying the achievements of the popular revolution and destroying the independence and freedom of the Nicaraguan people.

The FSLN and the revolutionary government have been putting forth all kinds of efforts in the political and diplomatic areas to end this aggression. We have consistently struggled for peace wherever we could; however, we must admit that peace is still far away. The U.S. Government systematically refuses to accept the unchangeable truth of the Sandinist revolution, it refuses to recognize the legitimacy of the government of the Nicaraguan people, legitimized by means of a popular insurrection and ratified last year by means of the most honest and free elections the history of Nicaragua has known. The U.S. Government systematically blocks, hinders, and prevents the advance of all the peace efforts, be it those efforts of the Contadora Group, or any other efforts. The United States does not want peace, the United States wants to destroy the Nicaraguan revolution, destroy popular power, and make our fatherland a pawn of its imperial power. As long as this unjustified will is maintained, as long as this aggressive policy persists, peace will not be possible. We the

Sandinists, we the Nicaraguans, will continue to struggle as we have until now, with all that we have, to defend our peace, our lives, our survival as an independent nation, our democracy that has begun its institutionalization.

As long as this aggressive and criminal policy persists no one has the right to deny the Nicaraguan people the right to arm itself, with all possible means, to defend its sovereignty and independence. Despite the millions of dollars invested by the U.S. Government in its aggressions against Nicaragua, despite the many tactics and strategies planned at its plotting centers [centros de conspiracion], despite the determination of the most powerful imperialist power of the world, the imperialist policy of aggression has confronted its greatest failure. Nothing that the United States has done has been able to change the people's power. The people's power is firm and gets stronger each day. The difficulties and aggressions have only served to strengthen the morale of the people and their determination to fight. Meanwhile, the mercenary army has suffered failure and shows clear signs of low morale and of wearing out.

To the same extent that imperialism seeks to destroy us, the Nicaraguan people are intent on surviving and succeeding. However, this war and these aggressions have had deep consequences, dramatic consequences on the lives of the people. This is not a small war. We are facing a large-scale war. Almost 12,000 Nicaraguans have been killed as a result of the imperialist policy. Another thousand have been wounded. Tens of thousands of families have been displaced from their homes and are unable to work normally. Hundreds of millions of dollars in material losses, direct or indirect, have been the product of military aggressions. Tens of thousands of combatants, students, workers, humble persons have been mobilized to repel the military aggression. Thousands of millions of cordobas have been invested in all kinds of resources to maintain our military defense. These are but a few of the consequences of the imperialist aggression.

The scarcity of many consumer goods, the tremendous inflation that we are suffering, the crisis in several productive sectors, the large financial imbalances, in short, the economic distortions and deteriorated living standards are but the immediate result of this savage aggression.

This is a clear indication that we are not living in a normal situation. The lives of all the Nicaraguan people have been disrupted, upturned, deeply affected by the imperialist aggression. The extraordinary measures that the Sandinist Front and the revolutionary government have adopted are only in keeping with this extraordinary reality provoked by the imperialist aggression.

It is a reality that since the outset of the mercenary war, we have not been able to cover our educational services. It is a reality that in many communities where many teachers arrived for the first time with the triumph of the revolution, the teachers are not there at this time. It is a reality that the level to which we had curbed illiteracy has increased again. It is a reality that many of the achievements in the aspect of the people's health have deteriorated. This is a reality stemming from the imperialist aggression against the people.

And, amid this war and as a result of these aggressions, we cannot achieve our purposes in matters of education, health, housing, social welfare, economic development, as quickly as we would have liked or as soon as we would have wanted. With the already fragile, dependent economy that we inherited, disrupted by the direct effects of the aggression, and amid an international economic crisis, our socioeconomic goals must necessarily be modest.

And at this extraordinarily difficult moment, we fundamentally propose to achieve the survival of the civilian population and to strengthen and consolidate the defensive effort of the revolution.

Our national priority is, and will continue to be, the total defeat of the mercenary army. We are totally convinced that today's mobilization of the people for defense is the guarantee for the achievements of the revolution and our future economic and social development.

The military victories that the peoples and their army have achieved can be intensified to accelerate the defeat of the enemy and thus, as a result of the heightening of its defeat, be able to increasingly expand the material and human resources to achieve our economic and social objectives.

As long as the war continues at its current magnitude we will not be able to direct sufficiently large resources to secure great advances in social welfare.

But if we do not guarantee the defense of the fatherland and the revolution, we would then lose even the possibility of achieving it in the future. This is the cost that has been imposed on us by the imperialist aggression. This is the cost being paid by the people. But it is also the path whereby we are defeating and will continue to defeat that imperialist aggression.

This does not mean that in the productive and social aspects we are going to allow them to destroy what the people have already achieved with the revolution. In that sense we intend to defend and uphold what we have achieved, to defend what we have achieved and to advance to the same extent that we advance in defeating the military aggression.

We must allocate resources and efforts in an increasingly organized, orderly manner to conform to the priorities imposed on us by the imperialist aggression. We must improve discipline at all levels: state organizations, productive enterprises, schools, universities, hospitals. We must continue to struggle to make the utmost use of the limited resources that can be destined to social and economic activities.

We must continue to struggle to improve the quality of our productive efforts. In short, we must guarantee the survival of the people, of the civilian population, and ensure the total defeat of the mercenary army as soon as possible.

Our enemies have attacked us in the hope and with the purpose of changing the course of the revolution, to make the FSLN and the Nicaraguan people renounce their objectives and their historic plan, to isolate the revolution from its friends throughout the world.

However, the very difficult circumstances we are living confirm that the strength of our revolution lies precisely in its popular nature. And the strengthening of its popular nature, of its alliance with the working class and the most humble sectors of the population is the only path for moving forward. Regardless of what may happen, the FSLN will never stray from that course.

Let our enemies know that their aggressions serve only to strengthen our determination to struggle, to redouble our will to defend and strengthen popular power, to maintain unchanged the sovereignty and dignity of Nicaragua. Our enemies must realize that their aggressions will never separate the FSLN from the people and that, on the contrary, the military and economic aggressions only serve to strengthen the unity of the people and its vanguard.

In the coming weeks we will face a task to strengthen the defense of the revolution, to defend the national economy. The coffee harvest is approaching, or rather, it has already begun. At this time coffee is Nicaragua's principal and most important export product. That is where we obtain the largest amount of our foreign exchange to function. And this is despite the efforts carried out by the mercenary bands to destroy the coffee infrastructure for 3 consecutive years and to prevent the coffee harvest. In each of these last 3 years the coffee harvest has become a big political, military, and economic battle between the peoples and their enemies. And in each of these last 3 years the people have been victorious in this battle. And today again we prepare to wage this battle.

The FSLN Directorate calls on all the people, the youth, state officials, members of the Sandinist Defense Committees, farm and industrial workers, peasants, all the Nicaraguan people to mobilize in a determined manner, be it individually, or organized in a brigade of voluntary pickers, to wage the coffee battle. We are going to wage this battle in much more favorable conditions than those in previous years--a moment when the mercenary forces have been suffering military blows that affect them strategically, a moment when the armed counterrevolution has been placed on the defensive by the actions of the combatants of the people. Then, let us go and harvest coffee with enthusiasm and discipline. Let us mobilize to pick to the last coffee bean, let us mobilize with the purpose of increasing the yield of each coffee picker, with the determination to work as many hours as possible, with the will to triumph in this new coffee battle.

On this anniversary of the death of Commander Carlos Fonseca in combat, and of the founding of our organization, the Sandinists reaffirm once more that the example and the legacy of Carlos, the example and the legacy of Sandino, will continue to be the mold of our daily conduct, and that their firmness, patriotism, and revolutionary spirit will be reaffirmed each day in the battlefield, in the fields of production, in service to the people, in all the trenches where a Sandinist exists with the slogan: Free Fatherland [crowd responds: or Death].

/7358

CSO: 3248/78

NICARAGUA

BRIEFS

COOPERATION AGREEMENT WITH DPRK--Nicaragua and the DPRK signed this Friday in Managua another cooperation agreement. The agreement consists of the DPRK delivering the following merchandise to Nicaragua during 1986: farm tools and equipment, industrial products, and basic consumption goods. Ch'oe Chong-kun, DPRK foreign trade minister, and Henry Ruiz, foreign cooperation minister and commander of the revolution, signed the cooperation agreement. [Text]
[Managua International Service in Spanish 0000 GMT 10 Nov 85 PA] /7358

FIRST NICARAGUAN-BUILT SHIP--The first ship built in Nicaragua will be dedicated on 14 November. The ship, built at El Diamante de Granada shipyard, will be dedicated by Nicaraguan Transportation Minister Guerrilla Commander William Ramirez. The ship, built at a cost of 3 million cordobas, financed by the Government of the Netherlands, and has capacity for 250 persons.
[Summary] [Managua Radio Sandino in Spanish 0000 GMT 14 Nov 85 PA] /6662

CSO: 3248/84

VENEZUELA

FISCAL REVENUES EXPECTED TO DECREASE BY \$4 BILLION

Caracas EL NACIONAL in Spanish 20 Aug 85 p D-1

[Article by Alba Sanchez]

[Text] 1986 budget figures have gone down from 110 billion to 106 billion bolivars. Fiscal revenue from petroleum is estimated at 67.952 billion but 2.208 billion has to be subtracted to cover the difference between anticipated 1985 tax revenues and what the new situation with respect to petroleum will bring in.

Fiscal revenues for 1986, initially calculated for budget purposes at 110 billion bolivars, will suffer a reduction of 4 billion owing to the decrease in petroleum prices (no change in internal income is foreseen) ending up at 106 billion, a figure subject to further adjustments between now and October, when the final budget proposal for the coming fiscal year is to be submitted.

This is what Finance Minister Manuel Azpurua told the Permanent Finance Committee of the Chamber of Deputies yesterday afternoon, when, together with Leopoldo Carnevali, minister in charge of CORDIPLAN (Office of Coordination and Planning), and Eduardo Mayobre, director of OCEPRE (Central Budget Office), he briefed the group.

According to information provided by the Ministry of Energy and Mines and the petroleum industry, on which his presentation was based, estimates of petroleum revenues (fundamental for budget purposes) are as follows:

Estimated fiscal receipts from petroleum production for 1986 are 67.952 billion bolivars, calculated on the basis of a volume of 1.41 million barrels of exports daily at an average price of \$24.50 a barrel (\$2.07 a barrel below the price included in the original statement on petroleum industry revenues for the current year, owing to adjusted export prices for hydrocarbons and near-term evaluation of the petroleum market). Beginning in January, the exchange rate for petroleum dollars will go from 6 bolivars to the dollar to 7.50 and the base price for calculating revenues will increase from \$14 to \$22.02 a barrel, in order to raise it to a level closer to "the commercial value of the petroleum extracted," as defined by law.

From those 67.952 billion bolivars, 2.208 billion have to be subtracted, this amount representing the difference between the revenues calculated according to

the original estimates for 1985 and those that will, in fact, be realized, given the new situation and what can be foreseen at this time for the present fiscal year.

After such subtraction, estimated petroleum fiscal revenues for 1986 are calculated at 65.744 billion bolivars.

Minister Azpurua emphasized that, just as the preliminary estimates presented to Congress last June underwent changes, so these new calculations also are subject to change and could be "refined" between now and October, when the final budget proposal for fiscal year 1986 is to be submitted.

Insofar as this year's results are concerned, he noted that the petroleum industry expects to end the year--adjustments being taken into account--with average exports of 1.35 million barrels a day at an average price of \$25.81 a barrel and that it estimates the average price for 1986 at \$24.50 a barrel, i.e., \$1.93 less than that obtained in the first half of 1985 and \$0.80 a barrel below the price expected during the second half "in conformity with the prudent position that we must take."

The decline of the petroleum dollar from 6 to 7.50 conforms to the economic program established by the government for the achievement of foreign exchange rate unification within the controlled market.

Internal Revenues

For his part, Eduardo Mayobre, director of the Central Budget Office, pointed out that no appreciable change in internal revenues is expected, i.e., no change is being made in the figures appearing in the preliminary estimate, according to which revenues from foreign exchange transactions, alcohol and cigarettes, fiscal stamps and customs will amount to approximately 40 billion bolivars, though the picture is altered with respect to foreign exchange since, for the purpose of achieving unification of the petroleum exchange rate, what formerly appeared as a BCV (Venezuelan Central Bank) transaction will now be recorded as an industrial tax.

For the first half of 1985, internal revenues were more or less as follows: from the sale of alcohol, 701 million bolivars; from customs (taxes and import duties), 2.848 billion; and from cigarette taxes, 1.049 billion. The last of these could suffer a decline owing to the price increase anticipated for this category.

Three-Year Plan

For his part, Leopoldo Carnevali, minister in charge of CORDIPLAN, referred to the 45 billion bolivar three-year plan that is contemplated. He noted that the 1986 budget does not seem to be compatible with the goal of reactivating the economy since it implies no growth in real terms, but that the budget is not the only tool the executive branch has to inject resources into the economy, nor does it shape the entire public sector.

In that area the three-year plan that we announced together with the preliminary budget estimates for 1986 will take effect. It involves an investment of 45 billion for the period 1986-88, i.e., 15 billion annually, that could be placed through either the budget or three-year plan, i.e., that could be linked to either the budget or to the additional investment plan recently approved. The basis for calculating such investment will be consolidated public sector expenses for 1984 and the sources of financing will be either ordinary government resources or credits from multinational organizations such as the IDB (Inter-American Development Bank).

12336/12951

CSO: 3348/949

VENEZUELA

FORMER FINANCE MINISTER DISCUSSES ECONOMIC SITUATION

Caracas EL UNIVERSAL in Spanish 28 Sep 85 p 2-1

[Interview with former Finance Minister Pedro R. Tinoco by Ramon Hernandez; date, time and place not given]

[Text] Pedro R. Tinoco can find no objective reason to be pessimistic. The former finance minister, who is an expert on economics and a banker, speaks slowly, looking at his interlocutor straight in the eye. Spare of gesture and reluctant to criticize, he feels that the term crisis has been overused and abused in Venezuela: "The situation is difficult but not critical."

He occupies a large office decorated with Regulo Perez paintings. The noisy air conditioner does not detract from the comfort or the plushness of the carpets.

"We have been in a recession for many years now, with negative growth rates and high unemployment figures. Fortunately, this recession has not become what one could objectively call an authentic crisis. It must be acknowledged that our situation has been improving since 1984. We have restored the balance of our external economy. Last year we ended up with a major balance of payments surplus, close to \$1 billion. That situation still prevails this year. So far we have a cumulative surplus of over \$800 million. We have achieved this despite a certain reduction in oil revenues.

"We have not been left without compensation. What we lose in the Lottery we win in "5 and 6," although this is not a game of chance.

"The cut in oil revenues has been offset by an increase in our non-traditional exports and a decline in our imports, thanks primarily to a boost in agricultural production. We have also benefited from the reduction in foreign interest rates. It should be pointed out that this year we are going to be totally self-sufficient in corn, cotton, and I think meat. We may very possibly have surpluses in rice . . ."

[Question] But the Confederation of Venezuelan Workers (CTV) says that unemployment is on the rise.

[Answer] The country's most important social problem is unemployment. It is very closely linked to the serious slump in the construction industry. Last

year this sector registered a 22 percent drop below an already deteriorated level of activity in an area that is vital for employment and economic recovery. I think the construction industry's importance as a generator of jobs and demand has not been fully recognized in terms of restoring the dynamic of the economy.

If I want a roof over my head, first I have to get a job, but since I am a bricklayer, I can't get a job because no one is building houses because there is no demand, and there is no demand because there are no jobs. And if I don't have a job, I don't have a house, and . . .

During normal times, the construction industry is regarded as a service industry that must grow as a function of the demand generated by the primary factors of the economy. The history of this century, however, in the industrialized countries as well as the developing ones, shows us that during periods of recession, when an attempt is made to reactivate a declining economy, the construction industry plays a key role. It does not respond to demand, but actually generates it, as a dynamic factor that gets the whole process underway. The first reason is that it can create more jobs more quickly, and can absorb more unskilled labor. Secondly, it utilizes nationally produced inputs almost exclusively.

[Question] Why, then, has the recovery of the construction industry been delayed?

[Answer] We must recognize that the government has taken on the very laudable task of putting the country's finances in order: the refinancing of the foreign debt, the rescheduling and payment of the domestic debt to suppliers, workers and contractors. We must also acknowledge its successes in agricultural policy and the boost it has given national production, the basic, non-petroleum industries (iron, steel, aluminum and hydroelectric power), which has helped significantly to raise the volumes of non-traditional exports.

Now that we have taken care of those matters, it's time to turn to other problems.

As I see it, the one area that is vulnerable to criticism is the economic recovery program's failure to assign a dynamic role to the construction industry in stimulating demand. It should be noted, however, that in the last 6 months a change of attitude has been seen. The main example is the extraordinary public works program that is now in the contracting stage. It will have some positive effects.

[Question] Are you forgetting about private activity in that sector of the economy?

[Answer] We have a dual economy, in which private activity is very important, but so is the government sector. The state has to expand its construction activity and simultaneously facilitate, stimulate and promote significant private activity in the construction sector. This requires a clear, well-defined policy, and the active participation of the government.

[Question] Should the 6.5 billion bolivars in public works investment be used for housing construction?

[Answer] I would not say those funds should, but other funds should. Both infrastructure and housing are important. The housing problem is very closely tied to the employment problem. And employment, in turn, is closely tied to the economic recovery. Recovery, in turn, requires an increase in overall demand, which sets industry in motion, which requires hiring more people . . . Thus, we find ourselves in a vicious circle that must be broken. The way to break it is to stimulate the construction industry.

[Question] Does the continued suspension of economic guarantees prevent that circle from being broken?

[Answer] No. The more freedom there is in the economy, the easier it is to promote the reactivation. I do not think it can be said, however, that there is a direct causal relationship between delaying the recovery and failing to restore economic guarantees. What we need to do in this country is generate new enthusiasm, set new goals. The most important thing is to step up overall demand.

[Question] How?

[Answer] By boosting the economy, putting the jobless to work. And for this purpose, new initial impulses are needed to change expectations.

[Question] Accelerate the export policy?

[Answer] Exporting may be a very crucial factor for the country's future. It would reduce our dependence on oil, and we could have other important sources of revenues. In this regard, the government has a clear idea not only of the need to simplify export procedures, but of a lot of other things that need to be done. The steps that must be taken are still too difficult, although an effort is being made and there is a real desire to streamline procedures.

[Question] Due importance has not been attributed to small- and medium-scale industries, either . . .

[Answer] It is very difficult to generalize. There are small- and medium-scale industries that are flourishing and progressing, that are managing their resources properly, that have an innovative, competitive, entrepreneurial spirit . . .

[Question] The state has no policies . . .

[Answer] I do not believe there is such a lack of policies. Sometimes there are defects in the planning and implementation of policies. The government's attitude toward small- and medium-scale industries is favorable.

(He fixes his gaze straight ahead. His massive desk is covered with neatly stacked papers, files and invoices. At one time Pedro R. Tinoco was active in

politics, and his presidential campaign has been studied in political research centers. He is not known for his exciting speaking style.)

"At this time, we are the most politically stable country in South America, and I think that the vast majority of our population supports the democratic system. There is still room for improvement, however, and the parties have been slow to act. We must bring about electoral reform so that voters have a more direct say. And I think there should be a more intensive effort to make government action more efficient. The principles of organization and leadership, and the concepts of the productive processes that we have learned in the modern science of business administration, must be incorporated into our political system to make government action yield more benefits to the public."

[Question] Grease the wheels of the bureaucracy?

[Answer] Organize the structure of the government more rationally. And there is a whole problem that ranges from the selection and pay of civil servants to supervision and decision-making.

[Question] Should politicians devise policies and have managers execute them?

[Answer] We must define the difference between establishing policies and executing them. Sometimes these functions get confused, and the result is inefficiency.

[Question] Have you abandoned the developmentist model that you defended so ardently when you were a presidential candidate?

[Answer] I would not apply my answer to myself specifically. I think that development continues to be a fundamental goal for humanity. Developing means trying to provide human beings with the best possibility for self-actualization. Development is progress, well-being. It is advancement.

[Question] It also means competing with the countries that are already developed, and that are widening the scientific and technical gap which separates us . . .

[Answer] I do not believe that is entirely true. Venezuela is a good example of how that gap may be narrowing. Sometimes we get carried away with pessimism, and we don't see how far we have come. I'm thinking of expectancy, which is much closer to that of an industrialized country today than it was at the turn of the century.

[Question] Have you completely withdrawn from politics?

[Answer] I think that I can be more useful to the country by pursuing my profession, within the confines of the business sector, rather than participating actively in the political battle. I have always tried to express my opinions about the issues in this country, and that is also a form of political participation, helping to create public opinion.

[Question] You are very optimistic . . .

[Answer] I really can't find any objective reason to be pessimistic.

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VENEZUELA

INCREASED INTERNAL REVENUE TAX EXPECTED IN 1986

Caracas EL UNIVERSAL in Spanish 1 Oct 85 p 2-2

[Article by Fanny Perez V.]

[Text] According to the projections outlined in the draft budget for 1986, the National Treasury expects to collect 25,578,500,000 bolivars in domestic taxes.

The official figure represents an increase of 2.616 billion bolivars over projected collections for 1985, according to the chapter on "Internal Revenues Collection" of the budget bill.

The budget bill must be submitted by Finance Minister Manuel Azpurua Arreaza within the first 10 days of October, according to the document itself. The president of the Congress of the Republic, Reinaldo Leandro Mora, must officially introduce the bill in congress in the following days.

Nevertheless, we were able to learn in advance yesterday how much the administration expects internal revenues to be. These revenues include the following categories: income tax (other activities), import duties, liquor tax, cigarette tax, petroleum derivatives, and other taxes.

It is important to know the administration's projections of tax collections, because these funds are used to finance activities or investment plans. Particularly during these uncertain times, when oil prices are expected to drop, the country's internal revenues take on great importance as a source of economic resources.

According to the official projections contained in the 1986 draft budget, internal revenues rely primarily on four categories, since they account for 90 percent of what the Treasury will collect. Import duties, the income tax, and the taxes levied on liquor and cigarettes are the four major tax categories that will produce most of the Treasury's income in 1986.

The percentage contributed by each category to overall collections is listed in the following chart:

Type of Tax	Amount in Bolivars	Percentage
Income Tax	13,307,000,000	52.0
Import Duties	4,100,000,000	16.0
Liquor Tax	2,617,000,000	10.2
Cigarette Tax	3,012,000,000	11.7
Petroleum Derivatives	1,707,000,000	6.6
Other Taxes	835,500,000	3.2
Total	25,578,500,000	100.0

Gasoline Tax

The excise tax on automotive gasoline and other petroleum byproducts will bring in an estimated 1.707 billion bolivars in 1986, of which gasoline will account for 1.672 billion.

Projected gasoline consumption totals 9,839,400,000 liters, to which a levy of 0.17 bolivars per liter is applied. This yields total revenues of 1.672 billion bolivars.

Cigarette Consumption Down 8 Percent

Revenues from the excise tax on cigarettes have been projected at 3.012 billion bolivars, based on the manufacture of 814.614 million packs of cigarettes, of which 60 percent will sell for 6 bolivars, 36 percent for 7 bolivars, and 4 percent for other prices.

This calculation was made on the basis of an estimated 8 percent decline in consumption below the 1985 projection, which was 885 million packs. It has also been calculated that the tax will increase by 50 percent in terms of the total value of sales.

Projected Volume	
	Bolivars
Sales	5,020,000,000
At 6 Bolivars	2,941,800,000
At 7 Bolivars	2,057,200,000
At 0.69 Bolivars	21,000,000
Tax Revenues	
Tax Rate 60%	3,012,000,000

Income tax collections were estimated at 13.307 billion bolivars on the basis of the Gross Domestic Product of domestic activities at current prices, with a real growth rate of 3 percent. In other words, the economy is expected to recover next year, which will revive activity in the private and public sectors.

The information on which the income tax estimates are based is the following: With a GDP of 229.234 billion bolivars in 1983, income tax collections amounted to 3.72 percent, meaning that income totaled 8.538 billion bolivars. In 1984, the GDP was estimated at 257.563 billion bolivars, with a collection

rate of 3.89 percent, equivalent to 10.03 billion bolivars. In 1985, the GDP is projected at 290.299 billion bolivars, with estimated income tax collections of 12.694 billion bolivars, or 4.37 percent.

The overall percentage of income tax collections is expected to drop in 1986 to an estimated 3.93 percent. The GDP, however, is projected to grow to 337.879 billion bolivars, which entails a rise in income tax collections to 13.307 billion bolivars. This means a jump of 2.616 billion bolivars over the 1985 total.

Import Duties to Rise

According to the draft 1986 budget, collections of import duties are expected to climb by 502.5 million bolivars to a total of 4.1 billion bolivars.

This increase is based on the new exchange system that applies to imports; the exchange rate will be unified at 7.50 bolivars to the dollar, and the preferential rate of 4.30 for some food categories will be eliminated completely.

The total amount of public and private sector imports is estimated on the basis of an exchange rate of 7.50 bolivars and the free market price.

An effective rate of 5.39 percent was applied to these imports after comparing previous years' estimates with the actual figures.

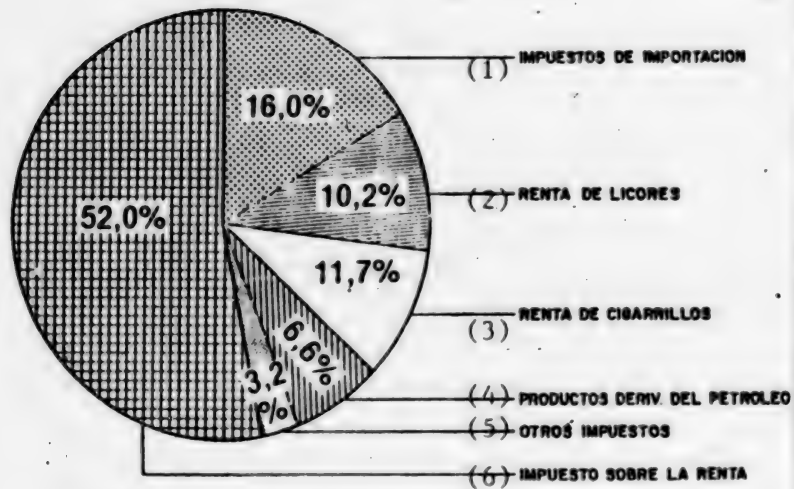
Imported Liquor Revenues Down

The projection of revenues from imported liquors will drop in 1986, because purchases of these beverages are expected to decline by 8.6 percent. As for the consumption of nationally produced beverages, it is expected to grow by 3.6 percent.

The analysis was statistically based on the performance recorded in the first 6 months of 1985. Nationally produced beverages, despite price hikes, were consumed in larger quantities as a result of the program to replace imported drinks.

It is estimated that liquor revenues in general will total 2.617 billion bolivars, a figure that takes into account the new taxes of 8 and 10 percent levied on the PVP [expansion unknown], which took effect in January 1985.

Domestic Taxes in 1986
(Percentage Distribution)



Key:

1. Import Duties
2. Liquor Revenues
3. Cigarette Revenues
4. Petroleum Derivatives
5. Other Taxes
6. Income Tax

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FEDECAMARAS PRESIDENT ON REDUCTION OF IMPORTS, OTHER ISSUES

Caracas EL UNIVERSAL in Spanish 27 Sep 85 p 2-1

[Article by C. R. Chavez]

[Text] Of course no country can be completely self-sufficient, in the sense of completely giving up imported goods and services. We live in an interdependent world where all countries, developed or not, have to import goods. In the specific case of Venezuela, however, because of the nature of the current crisis in the country, imports must be rationalized in view of the fact that limited foreign exchange will be available to pay for such imports.

These statements were made by the president of the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS), Rafael Marcial Garmendia, in a speech on Venezuela's future as an importer of goods and services. He presented the speech before the Venezuelan-German Chamber of Commerce and Industry.

Economic System

"As a fundamental question," stated Garmendia, "it is practically impossible to imagine any country with a democratic political system and a decentralized economy ceasing imports. In one way or another, because of its commercial ties, it must engage in the exchange of processed goods and raw materials. This is what is known as the balance of trade, and in an ideal situation it would be as close to balanced as possible. What is becoming clear, however, as a basic, fundamental issue in the Venezuelan economy, is that this country cannot continue to import more than 60 percent of what it consumes, especially in food. It is also apparent that we must diversify our economy; we cannot continue to be an exporter of nothing but petroleum, iron, bauxite, coffee, cacao and other raw materials, without even trying to process them in the country for sale abroad as finished or semi-finished goods.

"The international economic situation is such that the import substitution policy, which was the timid beginning of our incipient industrialization, must be pursued more vigorously, without the need for exaggerated protectionism and without disrupting the balance and harmony that should characterize our commercial relations with the other countries of the world. At this moment,

major areas are being explored, and FEDECAMARAS is working on this endeavor through a specialized commission.

"It is clear, though, that we will have to continue importing many items. In the automotive sector, we are making progress in the incorporation of national parts, but it is logical to assume that for a reasonably long period of time we will have to keep importing components that it would not be profitable to produce in Venezuela, as well as other items that would require considerable investments to master the technology involved.

"The development of our agriculture demands that we import machinery and equipment that would be very costly to produce in this country, given the limited size of the market and the lack of capital goods that would be required to install the large factories specializing in those products. In the area of chemicals and petrochemicals, unfortunately, we will have to redouble our efforts to replace imports, and this will require time and money. The same is true of the advanced electronics sectors, which are essential for the modernization of our industrial plants so that they can keep up with the times. There is no doubt, however, that we will be able to produce an increasing number of products in our country for domestic consumption and for the markets of the Caribbean and the Andean countries.

"Will Venezuela cease being an importing country? In the strict and absolute sense of the term and the concept, I repeat, it will not. But we are indeed certain that, if we do not lose faith and if we keep to the path we have taken, we will no longer be an import-oriented country as we were until very recently. At that time, our ports were crammed with ships bringing us the most trivial little trinkets from abroad, in addition to the huge food shipments. It got to the point that, as I said at the beginning of my remarks, at one time we were importing more than 60 percent of the foods in our daily diet.

"For obvious reasons, we will always have to import wheat, because Venezuelans have gotten very accustomed to eating many pastas, breads, biscuits, and so on. But we no longer need to import corn, rice, pork, beef, eggs, chicken, fish of any sort (even canned), chocolate, cheese, or many other types of food. And the day will come soon when we will not have to import sorghum or milk, because we are making great leaps toward self-sufficiency.

"As for shoes, Venezuela has made astounding progress, to the extent that we can compete with the best manufacturers in the world without any problem whatsoever. Our textile industry is also heading in that direction, with the extraordinary production of cotton and synthetic fabrics based on nylon and rayon. It can now fully supply the domestic market, and the clothing industry is beginning to move into foreign markets.

"We are advancing very strongly in the production of a variety of tools, and yesterday we visited a magnificent factory in Santa Teresa del Tuy that is capable, with a national value-added of 85 percent, of producing the telephones Venezuela needs, exporting the surplus, and filling orders from renowned telephone companies abroad, as it is doing now. This same factory is producing the electricity meters required for the domestic market and

exporting significant quantities to Colombia, with a national value-added of 62 percent.

"In our country, for some time now we have been producing the transformers, wires, and towers and poles that the country's electricity network requires, with a high value-added. And in the area of glass and ceramics, we are reaching the international markets, with products that are equal or better in quality than the ones we were importing until recently.

"The achievements in the plastics industry merit special mention. The quality and variety of products were clearly demonstrated in the recent exposition held in this industry, which received high praise. This is a sector which not only requires no imports, but is competing on the international market with very promising results.

"All of this paints a picture that encourages us to strive to reactivate our country's economy, and the likelihood of success is great. We will accomplish this through the creation of jobs, the enhancement of quality and the lowering of costs, as well as specially designed productivity programs. And we will import, of course, those goods that cannot be produced economically here. But we will import very little in comparison with the past that is fortunately now behind us.

"It is fair to say that all these accomplishments, which are the outcome of Venezuela's economic situation, have also been to a large extent the fruit of favorable associations with foreign businessmen. The influx of capital and technology from the industrialized countries has enabled us to establish very sound mixed enterprises with an extraordinary international reputation. Happily, those present at this luncheon include some of the most outstanding participants in this Venezuelan experiment. These achievements date back to very recent times, having begun very modestly in the 1960s; now, 25 years later, they are gathering momentum.

"One exceptional example is the progress observed in our graphics industry, as evidenced in the quality of its printing processes and the high productivity it has attained, with the use of very advanced techniques. To a large extent, however, this development has relied on the supply of sophisticated imported equipment, which we will continue to import. This is a very specialized field in which businesses whose market is practically the whole world operate very effectively.

"Another area where our country is meeting its own needs completely is that of construction materials: paints, iron and aluminum sections, screws, locks, electrical materials, plumbing and sewage pipes, electricity- and sound-conducting tubes, air conditioning, and in general, almost all the components for housing construction, including veneers, plywoods, binders, and other wood products. Until recently, these products came from abroad, along with household appliances and various types of furniture.

"There are too many holes for us to be able to say in all honesty that we have moved beyond the import stage. We have not managed to reactivate the agriculture sector completely, and for this reason we must still import

legumes, oleaginous seeds, sorghum, sugar and other products that we hope to be able to produce in Venezuela in the not too distant future, once we have overcome certain obstacles. One example is the need for certified seeds of different types, which must be adapted to our climatic and geological conditions. For this purpose, we must step up agronomic research, which has not yet received priority attention in this country. But this is something we have planned for the future, and that is our situation at present."

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VENEZUELA

CTV-GOVERNMENT RELATIONS, OTHER ISSUES VIEWED

Caracas EL NACIONAL in Spanish 17 Aug 85 p D-1

[Article by J.E.B.]

[Excerpt] Statements made by CTV (Confederation of Venezuelan Workers) president Juan Jose Delpino, to the effect that petroleum revenue conditions will require renegotiation of the refinancing of Venezuela's foreign public debt, have caused concern within the national government.

Delpino pointed out that decreasing profits from petroleum sales make a revision of the refinancing agreement necessary. He also said that the decline in income will not allow obligations to be met and that this will bring economic development and investment in the country to a standstill.

Official reaction was not long in coming, and the government declared in a communique that it could meet refinancing commitments. At the same time, a foreign exchange surplus of \$1.805 billion for the year was announced.

In subsequent statements to the press, Juan Jose Delpino declared that it was not the CTV's intention to discredit the government or government officials but to call attention to the decline in revenues from petroleum.

Nevertheless, the question is not so simple and there is concern in high government circles that this sort of statement could have a negative effect on the faith and confidence of the creditor bank concerning the on-going negotiations, which should result in signing the first contracts in September.

It has been learned that the government has sent envoys to Delpino to point out this fact to him and it is not out of the question that, in the near future, the president of the country's most important labor union confederation --which, moreover, is controlled by the government party--will be summoned to Miraflores (the presidential offices).

Price Increases

Relations between the government and CTV are not as harmonious as they seem to be. In addition, the labor office of AD (Democratic Action) and leaders of the government party in the CTV have publicly expressed concern over

announced increases in prices brought about by a rise in the preferential exchange rate from 4.30 to 7.50 for food imports such as powdered milk, sugar and, soya and by surcharges on pre-cooked cornmeal.

For this reason, the AD union leadership will insist on limiting the existing collective agreements to less than three years and on adjusting wages and benefits once or twice a year. Although the final position on general wage increase via legislative means has not yet been reached, there are indications that not all AD unionists have the same ideas.

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VENEZUELA

BRIEFS

FOREIGN EXCHANGE SURPLUS--With respect to this year's foreign exchange activity, the Central Bank has recently registered a surplus of \$1.805 billion. This represents an increase of 43 percent as compared with the same activity for 1984. The above mentioned sum, according to Central Bank figures, results from receipts of \$9.356 billion as against payments of \$8.541 billion so far this year. With regard to last year's figures, it was noted that receipts were on the order of \$10.459 billion, while foreign exchange payments amounted to \$9.420 billion. The decrease in payments from last year to this is attributable to the government's policy of reducing imports. Examination of the 1985 figures shows that \$4.294 billion were spent for imports, while \$3.093 billion went to service the foreign debt, both private and public. In 1984, \$4.751 billion were used for purchases abroad, while \$3.216 billion went to pay public and private foreign debt obligations. [Text] [Caracas EL NACIONAL in Spanish 15 Aug 85 p A-1]

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